



**THE RAILROAD SQUARE-SANTA ROSA COMMUNITY BENEFIT DISTRICT
2019 MANAGEMENT DISTRICT PLAN**

Final Plan – August 2019

Formed Under Article 5 to Chapter 6-56 of Title 6 of the Santa Rosa City Code
Relating to the Establishment of Community Benefit Districts

Prepared by:

**New City America, Inc.
The Railroad Square Community Benefit District Steering Committee**



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**The Railroad Square Community Benefit District
2019 Management District Plan**

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Attachment:

A. Engineer's Report

Section 1

Management District Plan Summary

The name of this Community Benefit District (“CBD”) is the Railroad Square Community Benefit District (“Railroad Square CBD” or the “District”). The District is formed under Title 6, Chapter 6-56, Article V of the Santa Rosa City Code Relating to the establishment of Community Benefit Districts.

The levy of assessments on real property within the proposed District will fund physical improvements to individual properties, attract new customers, and increase business sales. The assessments will fund maintenance, special events and activities, and other special benefits within the District, revitalizing the Railroad Square area and creating jobs, attracting and retaining businesses, and reducing crime.

Railroad Square CBD Steering Committee:

Since the fall of 2018, the Railroad Square Association has worked to gauge support within the community for a new *Special Benefit District* for both the Santa Rosa Railroad Square property owners and business community alike. The City of Santa Rosa hired New City America – a company specializing in *Special Benefit District* formation and management - to work with the Railroad Square Association to investigate the viability of a new Community Benefit District in Railroad Square.

Since the initiation of work last fall, the Railroad Square Community Benefit District Steering Committee has worked diligently to outreach to property owners and build a level of support for the new CBD. The Railroad Square CBD Steering Committee (RSSC), has met multiple times, has reviewed five versions of a management plan and finalized the boundaries, services, costs and term at its April 16th, 2019, Steering Committee meeting. The plan was revised on July 10th, 2019 and then again on August 11th to make final adjustments. The CBD Steering Committee met on the following dates in Railroad Square to discuss the final plan:

October 9, 2018
November 7, 2018
January 24, 2019
February 21, 2019
March 21, 2019
April 16, 2019
July 10, 2019

Last fall, a survey was sent out to all the property owners to ascertain their level of support for the establishment of a new Railroad Square CBD. The support for the concept of a new Railroad Square CBD was overwhelming. The survey tallied the support based upon the property variables that would be assessed in the ultimate funding of the special benefit services of the

district. Those property variables include a parcel's lot size, linear frontage and building square footage. The results were as follows:

Priority Special Benefit Services

The survey asked a variety of specific questions regarding property owner-funding of services over and above what the City was currently providing. The priority services outlined by the **responding property owners**:

- By an almost a 30 to 1 margin, survey respondents believed that **Railroad Square** was *“relatively safe; however, **suffered an unsafe image**”* OR was *unsafe*
- By an almost 8 to 1 margin, property owners supported funding **private security** in Railroad Square
- By an 8 to 1 margin, property owners supported funding special benefit services which responded to issues including **homelessness, panhandling, and loitering** in Railroad Square
- By an 8 to 1 margin, property owners stated they supported reoccurring, property owner-funded **sidewalk and gutter sweeping** in Railroad Square
- By a 4 to 1 margin, property owner respondents stated that they support services related to **planting, trimming and maintenance of trees**, plants, flowers, lighting installation, street furniture, and other amenities in Railroad Square
- By almost a 6 to 1 margin, property owner respondents stated they support services for **public relations and social media and events** to support the branding of Railroad Square

Based upon these results, the CBD Steering Committee determined that there was enough support to come up with a preliminary Management District plan.

Changes in Railroad Square

In 2011, the State Legislature dismantled 408 redevelopment agencies, redirecting the flow of funds back to the counties, school districts, and cities rather than reinvesting back into redevelopment areas. The California League of Cities filed a lawsuit to stop this elimination, resulting in a 2011 California Supreme Court ruling ceasing the operations of all redevelopment agencies by February 2012.

Consequently, the method of financing used previously by the City of Santa Rosa to fund Railroad Square improvements no longer existed. In the past, the opportunity to fund pedestrian lighting, new sidewalks, and public improvements in Railroad Square has typically been through this redevelopment, tax-increment financing. In light of the loss of that historic funding mechanism, the investigation of a new Railroad Square CBD centered on these six questions:

1. *How to fund the programs that will make Railroad Square district brand become more positive in Sonoma County.*
2. *How to create greater demand for Railroad Square buildings resulting in greater rental rates and commerce to businesses and tenants.*

3. *How to ensure that issues in the public rights of way, including people demonstrating questionable behavior, will be managed more consistent with standards in other communities.*
4. *How to drive more tenants to RS office buildings and more customers and visitors to build retail and restaurant commerce.*
5. *How to ensure that the public rights of way will become more orderly and attractive.*
6. *How to attract new mixed-use developments and new market rate housing that will be built within walking district of the new Railroad Square SMART Train station.*

How can a new CBD benefit property owners in Railroad Square?

In summary, a Railroad Square CBD is a *Special Benefits Assessment District* whereby property owners vote, through a mail ballot procedure, to supplement their property tax bills to pay for and control the assessments they generate through the CBD. *The CBD will not replace current City services, but it can fund solutions to supplement City services in the areas including:*

- *Safety and homeless/vacancy problems*
- *Sidewalk cleanliness*
- *Increase the trimming and replacement of damaging trees and landscaping*
- *Install/improve decorative amenities such as street furniture/fixtures/equipment/lighting*
- *Promote and enhance the brand/image of Railroad Square*
- *Manage events at in and around the Train Station Plaza/park*
- *Create a strong social media presence, and facilitate public relations for Railroad Square businesses*
- *Provide parking directional services and other mobility related activities*

MOST IMPORTANTLY, THESE PROPERTY ASSESSMENT FUNDS WILL NOT REPLACE EXISTING CITY SERVICES IN RAILROAD SQUARE AND WOULD BE CONTROLLED BY A NON-PROFIT CORPORATION OF PROPERTY AND BUSINESS OWNERS, AFTER THE DISTRICT IS VOTED IN BY PROPERTY OWNERS.

Special Benefit Budget Category Analysis

The Railroad Square *Management District Plan* gives the property owners greater flexibility in determining the type and frequency of special benefit services that will be allocated on a year-to-year basis. As Railroad Square evolves, services that are needed one year may not be needed the next. *Therefore, “bundles” or categories of special benefit funding are created and divided into four broad categories.*

Each section will give the property owner management corporation the overall percentages per services for the life of the District, but the flexibility to prioritize or minimize a line item service found within that category during the life of the District. The four categories of services include Civil Sidewalks, District Identity and Placemaking, Administration, and Contingency.

The categories of services and their percentages represent the service plan the Railroad Square property owners will be voting on when the District comes up for a mail ballot later this Spring or during the summer.

**PROPOSED FIRST YEAR BUDGET FOR THE RAILROAD SQUARE
COMMUNITY BENEFIT DISTRICT – 2020**

Category of Special Benefit Services Option 1 - 2020	Annual Amount, First Year	Percentage of total budget
Civil Sidewalks	\$160,000	68%
District Identity/Placemaking	\$ 30,000	13%
Administration	\$ 42,000	18%
Contingency	\$ 1,122	1%
Total	\$233,122.00	100%

METHOD OF FINANCING:

The financing of the Railroad Square CBD is based upon the levy of special assessments upon real properties that receive special benefits from the improvements and activities based upon which Benefit Zone they are located within. See Section 4 for assessment methodology and compliance with Article XIII (d) of the California State Constitution. There will be five factors used in the determination of proportional costs to the parcels in the District. These five factors are:

- Linear frontage
- Lot size or the footprint of the parcel (with deductions for lot size that is allocated to private parking for adjacent businesses or undeveloped parcels)
- Building square footage. A designation for reduced office space assessments if they are the predominant land use for the building that is being assessed in Zones 1 and 3
- Current and future residential condominiums that will be constructed within the District
- Location within one of the three geographic benefit zones of the district

Benefit Zones: 92 Parcels/58 owners total

The following include the five different benefit zones within the proposed Railroad Square Community Benefit District. Three of the Benefit Zones are geographically based, the fourth is land use based reflecting the unique nature of residential condominiums through the District.

- Zone 1. The core properties north of 3rd Street, from the 101 freeway on the east and the railroad tracks on the west, up to 8th Street on the north. Benefit Zone 1 (a) will have a reduced cost for office related building square footage if office use is the predominant use for that building
- Zone 2. The two large hotels south of 3rd Street and east of the Railroad tracks – (3 parcels)
- Zone 3. The parcels west of the Railroad tracks, north and east of the Santa Rosa Creek, and south of 6th Street
- Zone 4. All Residential condos to in Zones 1 and 3

Costs:

The costs per parcel are based upon the five factors listed above. The Benefit Zones are determined by the anticipated special benefits that a parcel will receive based upon its proximity to the core of the district, as well as the services that that parcel will be receiving. All assessments must be proportional to the special benefits received so we have agreed upon the following Benefit Zones.

Proposed First Year Annual Costs per Property Variable

<i>Benefit Zone</i>	<i>Annual Building Square Footage Cost</i>	<i>Annual Lot Size Cost</i>	<i>Annual Linear Frontage Cost</i>
1	\$0.24	0	\$ 6.00
1(a) Office	\$0.15	0	\$ 6.00
2 <i>(South of Third Street)</i>	\$0.20	0	0
3 <i>(West of the RR tracks and south of 6th Street)</i>	\$0.15	\$0.10	\$4.00
4 <i>(Residential Condos, in Zones 1, 3)</i>	\$0.24	0	0

- Annual assessments are based upon an allocation of program costs by assessable linear frontage, (assessable on all sides of the parcels that receive benefits); PLUS lot or parcel square footage; PLUS assessable building square footage, and in the case of residential condominiums, by actual building/unit square footage.
- Current and future residential condominium owners are assessed differently since condominiums include actual building square footage that are not necessarily on the ground level, therefore linear frontage and lot size are not relevant to residential condominiums. This alternate assessment methodology is created to respond to special needs within the growing District.

Cap:

The District budget and assessments may be subject to annual increases not to exceed 5% per year. Increases will be determined by the Owners' Association/District Management Corporation and will vary between 0% and 5% annually. Changes in land uses, the development of vacant parcels, the conversion of tax exempt to profitable land uses, the demolition of buildings, building improvements that increase square footages, and new building construction or residential condominium development, may alter the District's budget and individual property assessments. Linear frontage and parcel size are normally not altered in the redevelopment of a site. Changes to assessments are more likely to occur upon changes to building square footages. Changes may

also occur upon the conversion of single parcels to multiple parcels due to the construction of residential and/or commercial condominiums.

Bonds:

The District will not issue any bonds related to any program.

District Formation:

Under Article V of Chapter 6-56 of the Santa Rosa City Code (“Article V”), District formation requires a submission of petitions from property owners in the proposed district representing more than 30% of the total assessments to be paid into the CBD.

Once the City verifies the petitions totaling a minimum of 30% (\$69,937.00) of the first year annual budget projected to be \$ 233,122.00 in assessments to the District, the Santa Rosa City Council may adopt a **Resolution of Intention** to mail out ballots to all affected property owners. The City will then hold a public hearing and tabulate the ballots. The Railroad Square CBD will be formed if the weighted majority of all returned mail ballots support District formation and if the City Council adopts a **Resolution of Formation** to levy the assessments on the benefiting parcels. The date for that public hearing has not been scheduled but is assumed that it will be held in late November 2019 or perhaps later, based upon the successful completion of the petition drive.

Boundaries:

The proposed Railroad Square CBD consists of approximately 18 square blocks consisting of 92 parcels owned by 58 property owners, including parcels owned by the City of Santa Rosa. See the Railroad Square Rosa proposed CBD map in Section 2, pages 14 and 15. The District is generally bounded by:

- *On the south:* on the southern side of the parcels (along the Santa Rosa Creek) which have the Marriott Hotel and Hyatt Hotel as the key tenants on the south side of 3rd Street, between Highway 101 on the east and the Railroad tracks on the west;
- *On the north:* up to south side of the intersection of Wilson and 8th Street on the east side of the Railroad tracks;
- *On the west:* the edge of the parcels that are on the east side of the Santa Rosa Creek up to 6th Street;
- *On the east:* parcels on both sides of Davis Street from 3rd Street north to 6th Street and then on the east side of Davis from 6th to 7th Street

Assessable Data in the proposed Railroad Square CBD: (as of August 1st, 2019)

Building Sq. Ft	Lot Sq. Ft.	Linear Frontage	Residential Condominium Bldg. Sq. Ft.
621,743 sq. ft.	325,486 sq. ft.	10,989 linear ft.	24,092

Term

Under Article V, the District may be established in perpetuity, based upon the will of the property owners. Acting through the District Management Corporation, District property owners will

determine the duration of the District. Article V permits an annual disestablishment of the District upon petition and vote of the property owners. The threshold needed to trigger the balloting for the formation of the district is the same as the process for disestablishment of the district.

Time and Manner for Collecting Assessments:

The Railroad Square CBD assessments will appear as a separate line item on annual property tax bills prepared by the County of Sonoma Tax Assessor. The assessments are collected at the same time and in the same manner as ad valorem property taxes paid to the County of Sonoma. The assessments have the same lien priority and penalties for delinquent payments as ad valorem property taxes. Any delinquent assessments owed for the first year will be added to the property tax roll for the following year together with any applicable interest and penalties. The “property owner” means any person shown as the owner/taxpayer on the last equalized assessment roll or otherwise known to be the owner/taxpayer by the City.

During its first year of operation (2020), the City of Santa Rosa will manually bill the property owners with the Railroad Square CBD, to fund the special benefit services for 2020. The manual billing will have the same force of law as the collection through the County property tax collection procedures. Commencing in fiscal year 2021, the Railroad Square CBD assessments will show up as a separate line item on the annual property tax bills prepared by the County of Sonoma Tax Assessor.

Government Assessments:

The Railroad Square CBD Management Plan assumes that the City of Santa Rosa, the Successor Agency to the Redevelopment Agency of the City of Santa Rosa, and the Housing Authority of the City of Santa Rosa, and the Sonoma Marin Area Train (“SMART”) will pay assessments for the public property they own in the District. Article XIII D, Section 4 of the California Constitution provides that public agencies such as the City and Successor Agency are not exempt from the assessments.

Parcels owned by the City of Santa Rosa and other public agencies identified in Section 7 will receive benefits commensurate with assessments they pay. These publicly owned parcels are presumed to benefit equally to the privately-owned parcels with respect to the special benefit services outlined in this Management District Plan.

Governance:

Pursuant to Article V and Section 36650 of the California Streets and Highway Code, a District Management Corporation or Owners’ Association will review District budgets and policies annually within the limitations of the Management District Plan. The Management Corporation must file Annual Reports with the City of Santa Rosa and will oversee the day-to-day implementation of services as defined in the Management District Plan.

“Owners' association” means a private nonprofit entity that is under contract with a city to administer or implement activities and improvements specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. (Streets & Highway. Code § 36612.)

The existing Railroad Square Association, an established public benefit non-profit corporation (501c3), will serve in the capacity of the Owners Association to run the day to day operations of the district.

Disestablishment

Under Article V, Railroad Square CBD participants will have an annual period in which to submit petitions to the City Council to disestablish the CBD. If the property owners vote by weighted majority to disestablish the District assessments will be removed from the parcels the following fiscal year. Unexpended surplus funds will be returned to property owners based upon a parcel's percentage contribution to the previous fiscal year's assessments.

Exemptions or Reductions in Rates:

Under this Management District Plan and consistent with Proposition 218 and Article XIII (D) of the State Constitution, no parcel receiving special benefits from the establishment of a property assessment district is exempt from payment of the assessment. This Plan acknowledges the special benefit that CBD assessments may have on various land uses within the boundaries of the District. Therefore, buildings that are used predominantly for office and industrial use, will pay a reduced assessment for building square footage, relative to other building assessments in Zone 1 since they are presumed to derive lesser benefit relative to retail, restaurant or commercial land uses.

Section 2

Railroad Square Community Benefit District Boundaries

Boundaries:

The proposed Railroad Square CBD consists of approximately 18 square blocks consisting of 92 parcels owned by 58 property owners, including parcels owned by the City of Santa Rosa. See the Railroad Square proposed CBD map in Section 2, pages 13 and 14. The District is generally bounded by:

- *On the south:* on the southern side of the parcels (along the Santa Rosa Creek) which have the Marriott Hotel and Hyatt Hotel as the key tenants on the south side of 3rd Street, between Highway 101 on the east and the Railroad tracks on the west
- *On the north:* up to south side of the intersection of Wilson and 8th Street on the east side of the Railroad tracks
- On the west: the edge of the parcels that are on the east side of the Santa Rosa Creek up to 6th Street
- On the east: parcels on both sides of Davis Street from 3rd Street north to 6th Street and then on the east side of Davis from 6th to 7th Street

Benefit Zones

The District consists of four benefit zones. Three of the zones are geographically based and the fourth one, for residential condos, is land use based (applied to Benefit zones 1, 3,).

District Boundary Rationale

The Railroad Square CBD boundaries are comprised of parcels that showcase an array of highly rated commercial retailers, restaurants, major and boutique hotels, the SMART Train Station, service providers, industrial and warehouse facilities, Class A and B office buildings and soon will be home to a full block of market rate housing. The western side of the Railroad tracks is relatively undeveloped and soon will have hundreds of housing units within walking distance of the Train Station. Due to intense usage of Highway 101, the SMART Train station will soon provide an employment lifeline to the huge employment center based in and around the Financial District in San Francisco.

Northern Boundary

The northern boundary of the District is defined by the parcels on the south side of the intersection of Wilson and 8th Streets. This northern most boundary includes parcels on each side of the intersection consisting of parcels 010-081-001 and 010-082-001. The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided north of the northern District boundary.

Western Boundary

The western most boundary runs along the east side of the Santa Rosa Creek beginning at the railroad track bridge (parcel 010-175-005) up to the south side of 6th Street, (parcel 010-166-006).

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided west of the western District boundary.

Southern Boundary

The southern boundary of the CBD includes the three parcels on the south side of 3rd Street (the Santa Rosa Creek), between Highway 101 on the east and the railroad tracks on the west. These parcels house the Hyatt Hotel and Marriott Hotel and include parcels 010-760-001, 010-760-005 and 010-760-006.

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided south of the southern District boundary.

Eastern Boundary

The eastern boundary of the CBD begins at the parcel at the west side of Highway 101 at the Hyatt Hotel, parcel 010-760-006 and runs northward from 3rd Street to include parcels on both sides of Davis street up to 6th Street. The eastern boundary then runs north to include parcels on the east side of Davis between 6th and 7th Street. The eastern boundary will include the site of the new hotel, parcel 010-086-014 ending at the southern side of 7th Street.

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided east of the eastern District boundary.

Summation:

A list of all parcels included in the proposed Railroad Square CBD are shown as Appendix 1, attached to this report identified by their respective Sonoma County assessor parcel numbers. The boundary of the proposed Railroad Square CBD is shown on the map to be found on pages 14 and 15 of this report.

All identified assessed parcels within the above-described boundaries shall be assessed to fund supplemental special benefit programs, services and improvements as outlined in this Management District Plan. All Railroad Square CBD funded services, programs and improvements provided within the above described boundaries shall confer special benefit to identified assessed parcels inside the District boundaries and none will be provided outside of the District. Each assessed parcel within the Railroad Square CBD will proportionately and especially benefit from the District funded programs and services (i.e. Civil Sidewalks, District Identity and Placemaking, Administration and Contingency).

The District includes 92 parcels of which all are identified as assessable which are listed in the Assessment Roll included as Appendix 1.

Railroad Square District 8-13-2019



Section 3

District Improvement and Activity Plan

Explanation of Special Benefit Services:

All of the improvements and activities detailed below are provided only to properties within the boundaries of the Railroad Square CBD, as the improvements and activities will provide special benefits to the owners of these properties.

The City will continue to provide *general benefit services* from the general fund in Railroad Square which will include public safety, periodic street tree trimming, street sweeping, trash collection of public refuse containers, etc. The frequency of these general benefits may change from year to year and time to time based upon budget constraints. However, City general benefits will not be withdrawn from the Railroad Square CBD unless they are withdrawn by an equal amount City wide. ***The CBD funded special benefits will not replace City funded general benefits, but rather will provide special benefits to parcel owners over and above the general benefits provided by the City of Santa Rosa.***

All services funded by the assessments outlined in the Management District Plan are intended to directly benefit the properties within the District to support increased commerce, business attraction and retention, to retain and increase commercial property rentals, attract new residential developments, enhance safety and cleanliness in the District, improve District identity, and eventually fund specialized beautification and enhanced services for the future residential condominiums within the District.

Special Benefit Budget Category Analysis

This Plan gives property owners greater flexibility in determining the type and frequency of special benefit services that will be allocated on a year-to-year basis. As Railroad Square evolves, services that are needed one year may not be needed the next. Therefore, “bundles” or categories of special benefit funding have been created and divided into four broad categories – Civil Sidewalks, District Identity and Placemaking, Administration and Contingency. The bundles are allocated funding percentages with the flexibility to prioritize or minimize a service within each bundle.

The bundles or categories of services and their percentages represent the service plan the Railroad Square property owners will be voting on when the Railroad Square CBD comes up for a mail ballot later this summer.

**PROPOSED FIRST YEAR BUDGET FOR THE RAILROAD SQUARE
COMMUNITY BENEFIT DISTRICT – 2020**

TABLE 3 A

Category of Special Benefit Services	Annual Amount First Year	Percentage of total budget
Civil Sidewalks	\$ 160,000	68%
District Identity/Placemaking	\$ 30,000	13%
Administration	\$ 42,000	18%
Contingency	\$ 1,122	1%
Total	\$ 233,122.00	100%

The proposed “bundles” of special benefit services are listed below. All services listed below are special benefits and supplemental to current City services.

CIVIL SIDEWALKS:

Examples of this category of special benefit services and costs may include, but are not limited to:

- Regular sidewalk and gutter sweeping
- Regular sidewalk steam cleaning
- Beautification of the district
- Enhanced trash emptying (over and above city services)
- Timely graffiti removal, within 24 hours as necessary
- Tree and vegetation maintenance (over and above city services)
- Maintenance of existing and new public spaces
- Installation of and maintenance of hanging plants, planting flowers throughout the district
- Personnel to manage the in-house or contracted maintenance and/or security teams;
- Private security or case workers to respond to homeless issues, aggressive panhandling and mentally ill people behaving poorly in the public rights of way, including possible hiring of SR PD Bike patrols and/or a camera system

DISTRICT IDENTITY AND PLACEMAKING:

Examples of this category of special benefit services and costs may include, but are not limited to:

- Web site development and updating
- Social media, public relations firm
- Holiday and seasonal decorations
- Branding of the Railroad Square CBD properties so a positive image is promoted to the public including the development of a new logo
- Banner programs
- Public art displays

- Public space design and improvements
- Personnel to manage the in-house or contracted public relations, web site maintenance or social media contractors

ADMINISTRATION/PROGRAM MANAGEMENT

Examples of this category of special benefit services and costs may include, but is not limited to:

- Staff and administrative costs, contracted or in-house
- Directors and Officers and General Liability Insurance
- Office related expenses
- Rent
- Financial reporting and accounting
- Legal work

CONTINGENCY/CITY AND COUNTY FEES/RESERVE

Examples of this category of special benefit services and costs include, but is not limited to:

- Delinquencies, City/County fees, reserves

METHOD OF FINANCING:

The financing of the Railroad Square CBD is based upon the levy of special assessments upon real properties that receive special benefits from the improvements and activities based upon which Benefit Zone they are located within. See Section 4 for assessment methodology and compliance with Article XIII (d) . There will be five factors used in the determination of proportional costs to the parcels in the District. These five factors are:

- Linear frontage
- Lot size or the footprint of the parcel (with deductions for lot size that is allocated to private parking for adjacent businesses or undeveloped parcels, zone 3 only)
- Building square footage. A designation for reduced office space assessments if they are the predominant land use for the building that is being assessed in Zones 1
- Current and future residential condominiums that will be constructed within the District
- Location within one of the three geographic benefit zones of the district

Costs per parcel:

The costs per parcel are based upon the five factors listed above. The Benefit Zones are determined by the anticipated special benefits that a parcel will receive based upon its proximity to the core of the district, as well as the services that that parcel will be receiving. All assessments must be proportional to the special benefits received so we have agreed upon the following Benefit Zones.

**PROPOSED FIRST YEAR ANNUAL COSTS PER PROPERTY VARIABLE
TABLE 3 B**

<i>Benefit Zone</i>	<i>Annual Building Square Footage Cost</i>	<i>Annual Lot Size Cost</i>	<i>Annual Linear Frontage Cost</i>
1	\$0.24	0	\$ 6.00
1(a) Office	\$0.15	0	\$ 6.00
2 (South of Third Street)	\$0.20	0	0
3 (West of the RR tracks and south of 6th Street)	\$0.15	\$0.10	\$4.00
4 (Residential Condos, in Zones 1, 3)	\$0.24	0	0

- Annual assessments are based upon location within a geographic benefit zone and an allocation of program costs by assessable linear frontage, (assessable on all sides of the parcels that receive benefits); PLUS lot or parcel square footage; PLUS assessable building square footage, and in the case of residential condominiums, by actual building/unit square footage.
- Current and future residential condominium owners are assessed differently since condominiums include actual building square footage that are not necessarily on the ground level, therefore linear frontage and lot size are not relevant to residential condominiums. This alternate assessment methodology is created to respond to special needs within the growing District. Residential condos will only be assessed in Zone 1 and 3.

REVENUE GENERATED BY BENEFIT ZONE AND CATEGORY OF ASSESSMENT FOR YEAR ONE OF THE RAILROAD SQUARE CBD:

TABLE 3 C

Benefit Zone/ Category	Amount Generated by Zone
Zone 1	\$124,444.00
Zone 1 (a) office	\$ 7,446.00
Zone 2	\$47,845.00
Zone 3	\$47,605.00
Zone 4/Residential Condos	\$5,782.00
Total First Year Total Assessments - 2020	\$233,122.00

Cap:

The District budget and assessments may be subject to annual increases not to exceed 5% per year. Increases will be determined by the Owners’ Association/District Management Corporation and will vary between 0% and 5% annually. Changes in land uses, the development of vacant parcels, the conversion of tax exempt to profitable land uses, the demolition of buildings, building improvements that increase square footages, and new building construction or residential condominium development, may alter the District’s budget and individual property assessments. Linear frontage and parcel size are normally not altered in the redevelopment of a site. Changes to assessments are more likely to occur upon changes to building square footages. Changes may also occur upon the conversion of single parcels to multiple parcels due to the construction of residential or commercial condominiums.

Bonds:

The District will not issue any bonds related to any program.

Operating Budget:

A projected operating budget, based upon Article V of the local enabling ordinance, has no set term. However, for the sake of clarity to District property owners, a ten-year budget projection is shown below. The projections are based upon the following assumptions:

- Assessments **may be subject to annual increase**, based upon the action of the Railroad Square Association, not to exceed 5% per year.
- Changes in land use, demolition of existing buildings, and new development will occur.

The budget for specific programs may be reallocated within each budget category by up to 10% during the first five years of the District. The Management Corporation Board may alter the budget based upon service needs and such changes shall be included in the Annual report and submitted to the Santa Rosa City Council for review and approval.

**TEN-YEAR PROJECTION OF MAXIMUM ASSESSMENT FOR THE
RAILROAD SQUARE CBD
TABLE 3 – D**

	FY1	FY2	FY3	FY4	FY5
Civil Sidewalks	\$160,000.00	\$168,000.00	\$176,400.00	\$185,220.00	\$194,481.00
District Identity/ Placemaking	\$30,000.00	\$31,500.00	\$33,075.00	\$34,728.75	\$36,465.19
Administration	\$42,000.00	\$44,100.00	\$46,305.00	\$48,620.25	\$51,051.26
Contingency	\$1,122.00	\$1,178.10	\$1,237.01	\$1,298.86	\$1,363.80
Total	\$233,122.00	\$244,778.10	\$257,017.01	\$269,867.86	\$283,361.25

	FY6	FY7	FY8	FY9	FY10
Civil Sidewalks	\$204,205.05	\$214,415.30	\$225,136.07	\$236,392.87	\$248,212.51
District Identity/ Placemaking	\$38,288.45	\$40,202.87	\$42,213.01	\$44,323.66	\$46,539.85
Administration	\$53,603.83	\$56,284.02	\$59,098.22	\$62,053.13	\$65,155.79
Contingency	\$1,431.99	\$1,503.59	\$1,578.77	\$1,657.71	\$1,740.59
Total	\$297,529.31	\$312,405.78	\$328,026.06	\$344,427.37	\$361,648.74

Notes:

- Assumes a possible 5% maximum yearly increase on all budget items, if approved annually by the District Management Corporation Board of Directors
- Any accrued interest or delinquent payments will be expended in the above categories.
- Residential condominium assessments are assessed at \$.024 per square foot of building square footage for the first year and may be at a higher rate when the future residential condominiums are built within the boundaries of the District.

Section 4

Assessment Methodology

The proposed Railroad Square CBD is a property-based special benefit assessment district being established pursuant to the Santa Rosa Community Benefit District enabling ordinance adopted by the Santa Rosa City Council in March 2018. Due to the special benefit nature of assessments levied within a CBD, program costs are to be distributed amongst all identified specially benefited properties based on the proportional amount of special program benefits each property is expected to derive from the assessments collected.

The ordinance refers to the requirement that relative benefit received from CBD funded programs and activities be used to determine the amount of assessment paid. Only those properties expected to derive special benefits from CBD funded programs and activities may be assessed and only in an amount proportional to the relative special benefits expected to be received.

General vs. Special Benefits:

As provided by Proposition 218, assessment district programs and activities confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the assessed properties. "Special Benefit" as defined by the California State Constitution, Article XIII (d), means "*a particular and distinct benefit over and above general benefits conferred on real property located in the District or to the public at large.*" For the purposes of this analysis, "General Benefits" are benefits provided within Railroad Square that are not special in nature, are not "particular and distinct" and are not over and above the benefits that other city parcels receive.

General benefits are not restricted to benefits conferred only on persons and property outside the assessment district but can include benefits both conferred on real property located in the district or to the public at large. "At large" means not limited to any particular person – and means all members of the public - including those who live, work, and shop within the district - and not simply transient visitors.

The property uses within the boundaries of the proposed Railroad Square CBD which will receive special benefits from CBD funded programs and services are currently a mix of retail, service, office, religious, residential and parking. Services, programs and improvements provided by the Railroad Square CBD are primarily designed to provide special benefits to identified parcels within the boundaries of the District.

Parcels that receive the special benefit programs, services and improvements outlined in this Management District Plan will attract more customers, employees, tenants and investors as a result of these programs, services and improvements, thereby increasing business volumes, sales transactions, occupancies, and rental income, and for future residents, make Railroad Square

more walkable, attractive and livable. These benefits are particular and distinct in that they are not provided to non-assessed parcels within or outside of the District. Because these programs, services and improvements will only be provided to each individual assessed parcel within the Railroad Square CBD boundaries, these programs, services and improvements will constitute "special benefits."

Existing City of Santa Rosa services will not be replaced or duplicated by Railroad Square CBD funded services. The purpose of this District is to fund supplemental programs, improvements and services within the Railroad Square boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. The assessments to be levied on parcels within the Railroad Square CBD are for services, programs and improvements directly benefiting each individual parcel within this area and support increased cleanliness, commerce, business attraction and retention, increased commercial property rental income and improved District identity. No CBD funded services, activities or programs will be provided beyond the Railroad Square CBD boundaries.

While every attempt is made to provide CBD services and programs to confer benefits only to those identified assessed parcels within the District, the California State Constitution, Article XIII (d), was amended via Proposition 218 to provide that general benefits exist, either by design or unintentionally, in all assessment districts and that a portion of the program costs must be considered attributable to general benefits and assigned a value. General benefits cannot be funded by assessment revenues. General benefits might be conferred on parcels within the District, or "spillover" onto parcels surrounding the District, or to the public at large who might be passing through the District with no intention of transacting business or residing within the District or interest in the District itself. Empirical assessment engineering analysis throughout California has found that general benefits within a given similar special benefit district tend to range from 1-5% of the total costs.

There are three methods that have been used by the Railroad Square CBD Assessment Engineer for determining general and special benefit values within assessment districts:

- (1) The parcel by parcel allocation method*
- (2) The program/activity line item allocation method, and*
- (3) The composite district overlay determinant method.*

A majority of CBDs in California for which the Assessment Engineer has provided assessment engineering services since the enactment of Proposition 218, have used Method #3, the composite district overlay determinant method which will be used for this CBD. This method of computing the value of general benefit involves a composite of three distinct types of general benefit – general benefit to assessed parcels within the District, general benefit to the public at large within the District and general benefit to parcels outside the District.

Railroad Square CBD Programs and Improvements:

The total special and general benefit program activities and budget allocations that will be provided to each individual parcel assessed in the proposed Railroad Square Rosa CBD are shown in the chart below:

Total Year 1 – 2020 Special + General Benefit Costs

Table 4-A

Category of Special Benefit Services Option 1 - 2020	Year 1 Annual Amount, First Year	Year 1 2020 Non-Assessment Costs	Year 1 2020 Total Costs	% of Total
Civil Sidewalks	\$160,000	\$ 3,265	\$163,265	68%
District Identity/Placemaking	\$ 30,000	\$ 612	\$ 30,612	13%
Administration	\$ 42,000	\$857	\$ 42,857	18%
Contingency	\$ 1,122	\$ 23	\$ 1,145	1%
Total	\$233,122.00	\$4,757.00	\$237,879.00	100%

All program costs associated with general benefits will be derived from sources or credits other than CBD assessments. Sample “other” revenue sources can be derived from special events, grants, volunteer hours and must simply equal a total of \$ 4,757 per year which would equal the general benefit cost of 2% of the computed total CBD cost of \$ 233,122.00 from the Table above. Here, program costs are spread among property variables that are common to each parcel include linear frontage, lot or parcel size and building square footage, and residential condominium parcels. Assessed valuation cannot be used as the basis for revenue generation in the state of California since Proposition 13 sets the assessed valuation at the time of purchase of the parcel, therefore adjacent parcels may be similar in size, but have different assessed valuations. We must therefore spread the assessments among the consistent factors of each parcel, based upon 2019 data.

Benefit Zones:

State law and the State constitution, Article XIID require that special assessments be levied according to the special benefit each individual parcel receives. There are four benefit zones in the proposed Railroad Square CBD.

Assessable Data in the Railroad Square CBD:

Table 4-B

<i>Benefit Zone</i>	<i>Building Sq. Ft.</i>	<i>Lot SF</i>	<i>Linear frontage</i>
1 (includes 1a)	340,406	0	8,804
2	239,224	0	0
3	42,113	325,486	2,185
4 Residential Condos	24,092		
Total	645,855	325,486	10,989

**Assessment District Revenue Generation in Fiscal Year 2020 from
Each Assessable Property Variable:**

Table 4 - C

Property Variable	Total Revenue Generated	Percentage of budget
Building Sq. Ft.	\$133,228	57%
Lot Sq. Ft.	\$ 32,548	14%
Linear Frontage	\$ 61,564	26%
Residential Condos	\$ 5,782	3%
Total	\$ 233,122.00	100%

Annual Costs per property variable and Benefit Zone, first year, FY 2020

Table 4 – D

<i>Benefit Zone</i>	<i>Annual Building Square Footage Cost</i>	<i>Annual Lot Size Cost</i>	<i>Annual Linear Frontage Cost</i>
1	\$0.24	0	\$ 6.00
1(a) Office	\$0.15	0	\$ 6.00
2 <i>(South of Third Street)</i>	\$0.20	0	0
3 <i>(West of the RR tracks and south of 6th Street)</i>	\$0.15	\$0.10	\$4.00
4 Residential Condos <i>(Residential Condos, in Zones 1, 3)</i>	\$0.24	0	0

Explanation of Costs

Benefit Zone 1 parcels will be assessed the highest amount since they will have the highest frequency of Civil Sidewalks and District Identity services due to the amount of foot traffic in and around the parcels near the Train Station. Benefit Zone 1 properties are the historic core of Railroad Square dating back almost 125 years built around the train depot. Zone 1 properties which include retail, restaurants, office, hotel and warehouses are in a dramatic stage of transition with new residential developments replacing former industrial and warehouse parcels. These parcels will benefit the most from the CBD services, therefore their assessments have been set to fund the costs of services to these parcels. Predominant office building uses will be classified and charged a lower building square footage fee due the reduced special benefit these parcels are expected to receive from the civil sidewalks and district identity services.

Benefit Zone 2 parcels represent the two major hotels in the district, the Hyatt and the Marriott, south of 3rd Street, between Highway 101 on the east and the Railroad tracks on the west. The hotels are self-contained and maintained properties and will only be assessed for their building square footage, not their lot size or linear frontage due to the special benefits they are anticipated to receive are related to marketing and promotions, branding and safe passage for their visitors to and from the Benefit Zone 1 parcels.

Benefit Zone 3 parcels are to be found between the Railroad tracks and east side of the Santa Rosa Creek. These large parcels are former industrial and warehouse sites which are transitioning to the new housing developments. This is the greatest growth area for Railroad Square and will not include a large amount of retail and restaurant land uses, but rather residential and related land uses. Placemaking and cleanliness will be the key special benefit services that this geographic zone will receive once fully developed in the next one or two decades. They are assessed a lower linear frontage rate because the frequency of civil sidewalk services will be lower than in the Benefit Zone 1 parcels.

Benefit Zone 4 parcels consist of all the residential condominium parcels that are currently in Zone 1 and will be built in Zones 1 and 3 in the coming years. Residential condos will be assessed for their building square footage only since the property variable factors of linear front and lot size are not applicable to these parcels due to their stacked and vertical nature.

Linear Frontage Defined:

Individual parcels will be assessed for all sides of each parcel fronting on a public street. Alley frontage is not assessed. Each side of the parcel (excluding alley areas) will receive Civil Sidewalks special benefit services based upon the frequency of services articulated in this plan, linear front footage data was obtained from the County Assessor's parcel maps.

Building Square Footage Defined:

Building square footage is defined as gross building square footage throughout the Railroad Square CBD. The percentage of building square footage that is dedicated to private or internal tenant parking needs may be deducted from the gross building square footage, based upon documentation provided by the parcel owner. Apartment buildings within the boundaries of the

Railroad Square CBD will be assessed as commercial buildings since there is a landlord/tenant relationship in that property. Land uses that are predominantly related to office and industrial use, will be assessed at a reduced rate in Benefit Zone 1 due to the lesser special benefit received from the services of the CBD.

Lot Square Footage Defined:

Lot square footage is defined as the total amount of area within the borders of the parcel. The lot square footage of a parcel has been verified by the County Assessor's parcel maps. Lot size is only assessed in Benefit Zones 3 due to the potential for high density and increased benefit in Zone 3.

Commercial Condominium Parcels Defined:

Ground floor commercial condominiums will be treated as independent "mini" commercial buildings and assessed based on their actual building square footage, the footprint of land they cover or lot size of the commercial condominium, and the amount of direct primary street frontage on the exterior of the building. Ground floor commercial condominiums will pay 100% of the special benefits for the assessment, based upon which geographic benefit zone they are within.

Current and Future Residential Condominium Unit Parcels Defined:

Current and future residential condominium units building square footage is defined as the livable building square footage within the walls of the condominium residential unit parcel. They are included in a special category to designate their unique special benefits relative to the other commercial parcels within the Railroad Square Rosa CBD. Unlike the other commercial parcels in the district, including commercially operated apartment buildings, residential condominium parcels are assessed for building square footage only, and are not assessed for linear frontage and lot square footage.

Current and future residential condominium parcels are assessed as a separate category. These residential condominium individual parcels will be assessed *for their building square footage only at the rate of \$0.24 per square foot per year for the first year of the CBD, or possibly higher if assessments have been increased annually as provided in this plan and completed in future years.* The rationale for assessing future residential condominiums only for the building square footage rate is provided below. Current and future residential condominiums, as a function of this plan, can only be constructed or exist in Zones 1 and 3.

Residential condominium parcels are assessed differently than multi-unit, for-rent apartment buildings, due to the frequency of special benefit services required by each parcel as described below. The multi-unit apartment buildings are commercial properties in which the tenant and landlord have an economic relationship as opposed to residential condominium buildings where individual property owners own separate "air space parcels" on a single floor. Future residential apartment buildings can be bought or sold just as like commercial buildings whereas residential condominium individual units are separately owned and must be individually bought and sold.

Distinctions between residential apartment buildings with tenants and residential condominium building with individual parcel owners are as follows:

1. *The Davis Sterling Act establishes rules and regulations for residential condominium owners based upon “separate interests” (i.e. ownership rights), as opposed to renters who only have a possessory interest.*
2. *Generally, residential condominium unit owners demonstrate greater care for their property and concerns about quality of life issues due to their investment in real estate.*
3. *Residential owners and have the right to vote in a Proposition 218 hearing, tenants do not have that right.*
4. *Residential condominium owners are required to contribute to legally established Homeowners Associations to oversee building maintenance, tenants are not.*
5. *Residential tenants may have their dwelling units sold or have their rent raised arbitrarily due the lack of ownership of their residential units.*

The assessment methodology has been written to confer special benefits to future residential condominium individual assessed parcels since future residential condominium owners have unique investment backed expectations about the care and maintenance of the building and its surroundings compared to the interest of residential tenants who have a possessory not an ownership interest. The future residential condominiums’ special assessment methodology ensures that a fund will be established to maintain high levels of special benefit services that apply directly and proportional to the blocks that demand virtually seven days per week, 365 days per year special benefits.

Exemptions or Reductions in Rates:

Under this Management Plan and consistent with Proposition 218 and Article XIII (D) of the State Constitution, no parcel receiving special benefit for the establishment of a property assessment district shall be exempted from payment. This Plan acknowledges the special benefit impact that CBD assessments may have on various land uses within the boundaries of the District. Please see the explanation of costs on page 28 and 29 to understand the reduction in various rate per Benefit Zone or land uses.

Calculation of Assessments:

The proportionate special benefit derived by each identified parcel shall be determined in relationship to the entirety of the improvement or the maintenance and operation expenses of an improvement or for the cost of property service being provided. Per California Constitution Article XIII D, Section 2(i), “Special Benefit,” means a and distinct benefit over and above general benefits conferred on a real property located in the district or to the public at large. No assessment will be imposed on any parcel that exceeds the reasonable cost of the proportional special benefits conferred upon that parcel. Only special benefits are assessable, and these benefits must be separated from any general benefits. Properties are assessed as defined on the County Assessor’s most current parcel maps. The preceding methodology is applied to the

database of parcels within the District. The process for compiling the property database includes the following steps:

- A report was generated from data obtained from the Sonoma County Tax Assessors office.
- A list of properties to be included within the District is provided in Section 7.

First Year (2020) Parcel Assessment Calculation

The annual assessment method to calculate all parcels for Benefit Zone 1 will be:

$$\begin{aligned} & \text{Total Linear Frontage X } \$6.00 \text{ per foot} \\ & \quad + \\ & \text{Total Building Square footage X } \$0.24 \text{ per square foot} \\ & \quad = \\ & \text{TOTAL PARCEL ASSESSMENT} \end{aligned}$$

The annual assessment method to calculate all parcels for Benefit Zone 1(a) with Office and Industrial land use will be:

$$\begin{aligned} & \text{Total Linear Frontage X } \$6.00 \text{ per foot} \\ & \quad + \\ & \text{Total Office Building Square footage X } \$0.15 \text{ per square foot} \\ & \quad = \\ & \text{TOTAL PARCEL ASSESSMENT} \end{aligned}$$

The annual assessment method to calculate all parcels for Benefit Zone 2 will be:

$$\begin{aligned} & \text{Total Building Square footage X } \$0.20 \text{ per square foot} \\ & \quad = \\ & \text{TOTAL PARCEL ASSESSMENT} \end{aligned}$$

The annual assessment method to calculate all parcels in Benefit Zone 3 will be:

$$\begin{aligned} & \text{Total Linear Frontage X } \$4.00 \text{ per foot} \\ & \quad + \\ & \text{Total Lot Square Footage X } \$0.10 \text{ per square foot} \\ & \quad + \\ & \text{Total Building Square footage X } \$0.15 \text{ per square foot} \\ & \quad = \\ & \text{TOTAL PARCEL ASSESSMENT} \end{aligned}$$

The annual assessment method to calculate the residential condominiums in Zones 1 and 3 will be:

$$\begin{array}{c} \text{Total Single Unit Building Square footage X \$0.24 per square foot} \\ = \\ \text{TOTAL PARCEL ASSESSMENT} \end{array}$$

Future Development:

As a result of continued new development, the Railroad Square CBD will experience the addition or subtraction of assessable commercial buildings or the conversion of vacant parcels into new commercial and residential units. The Management District Plan assessment methodology will reflect any and all land use changes in the District with annual adjustments being submitted to the City, as these assessment calculation and property variable alterations occur.

Maximum Assessment:

Assessments may be subject to annual increases not to exceed 5% per year. Increases will be determined by the CBD District Management Corporation and will vary between 0% and 5% in any given year. The maximum the assessments may be increased is 5% over the previous fiscal year's base assessments. The absence of increase in any given year does not give the District Management Corporation the authority to accumulate increases above 5% in any successive year. The following projections illustrate a potential 5% annual increase.

Maximum Assessments by Property Variable

Table 4 - F

Projected Assessment Benefit Zone 1	FY 1	FY 2	FY 3	FY 4	FY 5
Linear Frontage	\$6.00000	\$6.30000	\$6.61500	\$6.94575	\$7.29304
Building Sq. Ft.	\$0.24000	\$0.25200	\$0.26460	\$0.27783	\$0.29172
Office Sq. Ft.	\$0.15000	\$0.15750	\$0.16538	\$0.17364	\$0.18233
Condo Sq. Ft.	\$0.24000	\$0.25200	\$0.26460	\$0.27783	\$0.29172

Projected Assessment Benefit Zone 1	FY 6	FY 7	FY 8	FY 9	FY 10
Linear Frontage	\$7.6577	\$8.0406	\$8.4426	\$8.8647	\$9.3080
Building Sq. Ft.	\$0.3063	\$0.3216	\$0.3377	\$0.3546	\$0.3723
Office Sq. Ft.	\$0.1914	\$0.2010	\$0.2111	\$0.2216	\$0.2327
Lot Sq. Ft.	\$0.3063	\$0.3216	\$0.3377	\$0.3546	\$0.3723

Projected Assessment Benefit Zone 2	FY 1	FY 2	FY 3	FY 4	FY 5
Building Sq. Ft.	\$0.20000	\$0.21000	\$0.22050	\$0.23153	\$0.24310
Condo Bldg. Sq. Ft.	\$0.24000	\$0.25200	\$0.26460	\$0.27783	\$0.29172

Projected Assessment Benefit Zone 2	FY 6	FY 7	FY 8	FY9	FY 10
Building Sq. Ft.	\$0.2431	\$0.2553	\$0.2680	\$0.2814	\$0.2955
Condo Bldg. Sq. Ft.	\$0.2917	\$0.3063	\$0.3216	\$0.3377	\$0.3546

Projected Assessment Benefit Zone 3	FY 1	FY 2	FY 3	FY 4	FY 5
Linear Frontage	\$4.00000	\$4.20000	\$4.41000	\$4.63050	\$4.86203
Building Sq. Ft.	\$0.15000	\$0.15750	\$0.16538	\$0.17364	\$0.18233
Lot Sq. Ft	\$0.10000	\$0.10500	\$0.11025	\$0.11576	\$0.12155
Condo Sq. Ft.	\$0.24000	\$0.25200	\$0.26460	\$0.27783	\$0.29172

Projected Assessment Benefit Zone 3	FY 6	FY 7	FY 8	FY9	FY 10
Linear Frontage	\$4.8620	\$5.1051	\$5.3604	\$5.6284	\$5.9098
Building Sq. Ft.	\$0.1823	\$0.1914	\$0.2010	\$0.2111	\$0.2216
Lot Sq. Ft	\$0.1216	\$0.1276	\$0.1340	\$0.1407	\$0.1477
Condo Sq. Ft.	\$0.2917	\$0.3063	\$0.3216	\$0.3377	\$0.3546

Term

Under Article V, the District may be established in perpetuity, based upon the will of the property owners. Acting through the District Management Corporation, District property owners will determine the duration of the District. Article V of the local enabling ordinance permits an annual disestablishment of the District upon submittal of a petition to the City and vote of the property owners.

Budget Adjustments:

Annual budget surpluses, if any, will be rolled into the following year’s budget. Assessments will be set annually. Revenues from delinquent accounts may be expended in the year they are received.

Time and Manner for Collecting Assessments:

In September 2020, the Railroad Square CBD assessments will appear as a separate line item on annual property tax bills prepared by the County of Sonoma. The assessments are collected at the same time and in the same manner as ad valorem property taxes paid to the County of Sonoma. The assessments have the same lien priority and penalties for delinquent payment as the ad valorem property taxes.

During its first year of operation (Fiscal Year 2020), the City of Santa Rosa will manually bill the property owners to fund the special benefit services for 2020. The manual billing will have the same force of law as the collection through the County property tax collection procedures. Commencing in fiscal year 2021, the Railroad Square CBD assessments will show up as a separate line item on the annual property tax bills prepared by the County of Sonoma Tax Assessor.

Disestablishment:

California Streets and Highways Code section 36670 provides for the disestablishment of a District. Provisions for annual disestablishment of the District are provided for in Article 2, Chapter 14 of the local Santa Rosa CBD ordinance. Property owners dissatisfied with the results, management or quality of the services may petition the City Council to disestablish the District, in the same method in which they petitioned the City Council to establish it. The threshold to trigger the balloting for the disestablishment for the Railroad Square CBD is by a 30% weighted petition of property owners submitted to the City of Santa Rosa.

Section 36670 states:

(b) The city council shall adopt a resolution of intention to disestablish the district prior to the public hearing required by this section. The resolution shall state the reason for the disestablishment, shall state the time and place of the public hearing, and shall contain a proposal to dispose of any assets acquired with the revenues of the assessments levied within the property and business improvement district. The notice of the hearing on disestablishment required by this section shall be given by mail to the property owner of each parcel or to the owner of each business subject to assessment in the district, as appropriate. The city shall conduct the public hearing not less than 30 days after mailing the notice to the property or business owners. The public hearing shall be held not more than 60 days after the adoption of the resolution of intention.

Unexpended surplus funds will be returned to property owners based upon each property owner's percentage contribution to the previous fiscal year's assessments.

Government Assessments:

The Railroad Square CBD Management Plan assumes that the City of Santa Rosa, the Housing Authority, the Successor Agency, and the SMART Train Board of Directors will pay assessments for the public property they own within the boundaries of the District as per the methodology within this plan. Article XIII D, Section 4 of the California Constitution was added in November of 1996 to provide that the City is not exempt from such assessments.

Parcels owned by the City of Santa Rosa, the Successor Agency to the Redevelopment Agency of the City of Santa Rosa, the Housing Authority of the City of Santa Rosa receive benefits commensurate with the sidewalk operations/civil sidewalks, district identity, administration and contingency assessments paid. These publicly owned parcels are presumed to benefit equally to the privately-owned parcels for the special benefits provided.

Table 4 - G
Government Owned Parcels in the Railroad Square CBD

APN	Legal Owner	BZ	Site Street	Annual Assessment	Percent
010-171-005	City of Santa Rosa	1	9 4th Street	\$3,384.00	1.45%
010-171-019	Sonoma-Marin Area Rail Transit District	3	2 4th Street	\$16,315.20	6.99%
010-166-03	Sonoma-Marin Area Rail Transit District	3	34 W 6 th Street	\$10,387.10	4.45%
TOTAL				\$30,086.30	12.9%

Section 5

District Rules and Regulations and Governance

There are no specific rules and regulations prescribed for the proposed Railroad Square Community Benefit District Management Corporation except that it will adhere to the open meeting and open records provisions of the Ralph M. Brown Act and will seek to be as open and transparent to the CBD assesseses and the public at large as is reasonably possible.

Pursuant to Article V and Section 36650 of the California Streets and Highway Code, a District Management Corporation or Owners' Association, will review District budgets and policies annually within the limitations of the Management District Plan. The Management Corporation will file Annual Reports with the City of Santa Rosa and will oversee the day-to-day implementation of services as defined in the Management District Plan.

"Owners' association" means a private nonprofit entity that is under contract with a city to administer or implement activities and improvements specified in the management district plan. An owners' association may be an existing nonprofit entity or a newly formed nonprofit entity. An owners' association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. (Sts. & Hy. Code § 36612.)

The existing Railroad Square Association (501c3), shall serve in the capacity of the Owners Association consistent with State Stature and the local enabling ordinance.

Section 6

Implementation Timetable

The Railroad Square CBD is expected to be established and begin assessing benefiting parcels as of the first quarter of 2020. Due to the timing of revenue collection by the City of Santa Rosa (for the first year of operation) and the need to establish the contract between the Owners' Association and the City of Santa Rosa, implementation of the Management District Plan and the delivery of services is scheduled to commence in or around the winter of 2020. Consistent with Article V of the local enabling ordinance, the Railroad Square CBD will exist in perpetuity until such time that the property owners believe that assessments to fund special benefits are no longer needed. Annual procedures for disestablishment of the CBD are outlined in this plan, the Streets and Highway Code as well as the local CBD enabling ordinance.

Section 7

Assessment Roll of Properties Included

APN	Annual Assessment		
		010-087-004-000	\$5,104.32
010-071-012-000	\$2,412.00	010-087-009-000	\$1,835.04
010-072-007-000	\$526.80	010-087-013-000	\$3,018.72
010-072-015-000	\$8,890.80	010-087-014-000	\$1,972.32
010-072-016-000	\$306.00	010-087-015-000	\$4,968.00
010-072-017-000	\$2,582.40	010-088-008-000	\$240.00
010-074-001-000	\$3,000.00	010-088-010-000	\$5,558.40
010-074-006-000	\$978.00	010-089-001-000	\$3,690.00
010-074-009-000	\$555.60	010-166-003-000	\$10,387.10
010-074-012-000	\$1,161.60	010-166-006-000	\$5,496.00
010-074-013-000	\$1,761.60	010-171-005-000	\$3,384.00
010-074-015-000	\$931.20	010-171-007-000	\$1,890.30
010-074-017-000	\$402.00	010-171-009-000	\$5,131.68
010-074-018-000	\$6,297.84	010-171-010-000	\$4,112.64
010-074-019-000	\$1,545.60	010-171-012-000	\$3,000.00
010-074-020-000	\$3,022.80	010-171-014-000	\$880.00
010-075-001-000	\$3,252.00	010-171-018-000	\$6,870.30
010-075-002-000	\$1,482.00	010-171-019	\$16,315.20
010-075-003-000	\$1,008.00	010-175-012-000	\$3,856.95
010-075-004-000	\$1,200.00	010-760-001-000	\$14,347.80
010-075-005-000	\$1,392.00	010-760-005-000	\$0.00
010-075-007-000	\$4,632.00	010-760-006-000	\$33,497.00
010-075-009-000	\$3,600.00	010-800-001-000	\$183.12
010-075-010-000	\$2,041.92	010-800-002-000	\$157.68
010-075-011-000	\$360.00	010-800-003-000	\$190.56
010-075-012-000	\$5,046.00	010-800-004-000	\$190.56
010-075-013-000	\$1,392.00	010-800-005-000	\$190.56
010-075-014-000	\$1,276.80	010-800-006-000	\$181.92
010-081-001-000	\$4,344.72	010-800-007-000	\$169.92
010-082-001-000	\$3,873.00	010-800-008-000	\$231.84
010-082-013-000	\$356.70	010-800-009-000	\$176.64
010-082-014-000	\$1,325.70	010-800-010-000	\$190.56
010-082-021-000	\$973.20	010-800-011-000	\$190.56
010-084-006-000	\$4,459.92	010-800-012-000	\$197.76
010-085-001-000	\$1,887.12	010-800-013-000	\$209.76
010-085-002-000	\$1,213.44	010-800-014-000	\$189.36
010-085-024-000	\$4,560.00	010-800-015-000	\$181.68
010-086-008-000	\$800.00	010-800-016-000	\$210.48
010-086-014-000	\$1,788.00	010-800-017-000	\$242.88
010-087-003-000	\$3,064.56	010-800-018-000	\$242.88

010-800-019-000	\$210.48	010-800-026-000	\$215.76
010-800-020-000	\$210.48	010-800-027-000	\$215.76
010-800-021-000	\$181.68	010-800-028-000	\$203.28
010-800-022-000	\$211.44	010-800-029-000	\$194.64
010-800-023-000	\$203.28	010-800-030-000	\$1,262.40
010-800-024-000	\$203.28	010-800-031-000	\$818.88
010-800-025-000	\$203.28		

Exhibit A

RAILROAD SQUARE - SANTA ROSA COMMUNITY BENEFIT DISTRICT

ASSESSMENT ENGINEER'S REPORT

*Being Established Pursuant to
Article 5 to Chapter 6-56 of the Santa Rosa Municipal Code
Relating to The Establishment of Community Benefit Districts*

*Prepared by
Edward V. Henning
California Registered Professional Engineer # 26549
Edward Henning & Associates*

August 26, 2019

V 2.0

ASSESSMENT ENGINEER’S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Railroad Square Community Benefit District ("RRSQCBD") being established in perpetuity will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

Prepared by Edward V. Henning, California Registered Professional Engineer # 26549



A handwritten signature in blue ink that reads "Edward V. Henning". The signature is written over a horizontal line.

RPE #26549 August 26 , 2019

Edward V. Henning

Date

(NOT VALID WITHOUT SIGNATURE AND CERTIFICATION SEAL HERE)

Introduction

This report serves as the “detailed engineer’s report” required by Section 4(b) of Article XIID of the California Constitution (Proposition 218) to support the benefit property assessments proposed to be levied within the proposed RRSQCBD in the City of Santa Rosa, California being established in perpetuity or until discontinued by a vote of the RRSQCBD property owners at that time. The discussion and analysis contained within this Report constitutes the required “nexus” of rationale between assessment amounts levied and special benefits derived by real properties within the proposed RRSQCBD.

Background

The RRSQCBD is a property-based benefit assessment type district being established in perpetuity pursuant to Article 5 to Chapter 6-56 of the Santa Rosa Municipal Code (the “CBD Ordinance”) which was modeled after Section 36600 et seq. of the California Streets and Highways Code (as amended), also known as the Property and Business Improvement District Law of 1994 (the “Act”). Due to the benefit assessment nature of assessments levied within a community benefit district (“CBD”), district program costs are to be distributed amongst all identified benefiting properties based on the proportional amount of special program benefit each property is expected to derive from the assessments levied. Within the Ordinance and Act, frequent references are made to the concept of relative “benefit” received from District programs and activities versus amount of assessment paid. Only those properties expected to derive special benefits from District funded programs and activities may be assessed and only in an amount proportional to the relative special benefits expected to be received.

Supplemental Article XIID Section 4(b) California Constitution
Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996, adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the RRSQCBD. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were “chaptered” into law as Article XIID Section 4(b) of the California Constitution.

Since Article XIID provisions will affect all subsequent calculations to be made in the final assessment formula for the RRSQCBD, these supplemental requirements will be taken into account. The key provisions of Article XIID along with a description of how the RRSQCBD complies with each of these provisions are delineated below.

(Note: All section references below pertain to Article XIII of the California Constitution):

Finding 1. From Section 4(a): “Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed”

Boundaries:

The proposed Railroad Square CBD consists of approximately 18 square blocks consisting of 93 parcels, of which 92 are identified as assessable, owned by 58 property owners. See the Railroad Square proposed CBD map in Appendix 2 attached to this Report. The District is generally bounded by:

- *On the south:* on the southern side of the parcels (along the Santa Rosa Creek) which have the Marriott Hotel and Hyatt Hotel as the key tenants on the south side of 3rd Street, between Highway 101 on the east and the Railroad tracks on the west
- *On the north:* up to south side of the intersection of Wilson and 8th Street on the east side of the Railroad tracks
- *On the west:* the edge of the parcels that are on the east side of the Santa Rosa Creek up to 6th Street
- *On the east:* parcels on both sides of Davis Street from 3rd Street north to 6th Street and then on the east side of Davis from 6th to 7th Street.

A list of all parcels included in the proposed RRSQCBD is shown as Appendix 1, attached to this Report identified by their respective County of Sonoma assessor parcel number. The boundary of the proposed RRSQCBD and benefit zones are shown on the map of the proposed RRSQCBD attached as Appendix 2 to this Report.

Benefit Zones

The District consists of three geographical benefit zones and one land use benefit zone for residential condominiums.

District Boundary Rationale

The Railroad Square CBD boundaries are comprised of parcels that showcase an array of highly rated commercial retailers, restaurants, major and boutique hotels, the SMART Train Station, service providers, industrial and warehouse facilities, Class A and B office buildings and soon will be home to a full block of market rate housing. The western side of the Railroad tracks is relatively undeveloped and soon will have hundreds of housing units within walking distance of the Train Station. Due to intense usage of Highway 101, the SMART Train station will soon provide an employment lifeline to the huge employment center based in and around the Financial District in San Francisco.

Northern Boundary

The northern boundary of the District is defined by the parcels on the south side of the intersection of Wilson and 8th Streets. This northern most boundary includes parcels on each side of the intersection consisting of parcels 010-081-001 and 010-082-001. The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided north of the northern District boundary.

RAILROAD SQUARE - SANTA ROSA CBD – ASSESSMENT ENGINEER’S REPORT

Western Boundary

The western most boundary runs along the east side of the Santa Rosa Creek beginning at the railroad track bridge (parcel 010-175-005) up to the south side of 6th Street, (parcel 010-166-006).

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided west of the western District boundary.

Southern Boundary

The southern boundary of the CBD includes the three parcels on the south side of 3rd Street (the Santa Rosa Creek), between Highway 101 on the east and the railroad tracks on the west. These parcels house the Hyatt Hotel and Marriott Hotel and include parcels 010-760-001, 010-760-005 and 010-760-006.

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided south of the southern District boundary.

Eastern Boundary

The eastern boundary of the CBD begins at the parcel at the west side of Highway 101 at the Hyatt Hotel, parcel 010-760-006 and runs northward from 3rd Street to include parcels on both sides of Davis street up to 6th Street. The eastern boundary then runs north to include parcels on the east side of Davis between 6th and 7th Street. The eastern boundary will include the site of the new hotel, parcel 010-086-014 ending at the southern side of 7th Street.

The District will only provide services to the individual assessed parcels within the boundaries; services will not be provided to parcels that are not assessed. No District programs and services will be provided east of the eastern District boundary.

Summary:

All identified assessed parcels within the above-described boundaries shall be assessed to fund supplemental special benefit programs, services and improvements as outlined in this Report and in the Management District Plan. All RRSQCBD funded services, programs and improvements provided within the above described boundaries shall confer special benefit to identified assessed parcels inside the District boundaries and none will be provided outside of the District. Each assessed parcel within the RRSQCBD will proportionately specially benefit from the District funded programs and services (i.e. Civil Sidewalks, District Identity and Place Making, Administration and Contingency). These services, programs and improvements are intended to improve commerce, employment, rents and occupancy rates and investment return of individually assessed parcels and businesses on them within the RRSQCBD. The RRSQCBD confers special benefits on each and every individually assessed parcel by reducing crime, improving aesthetics and marketing goods and services available from individually assessed parcels and the businesses on them within the District, all considered necessary in a competitive properly managed business district. All District funded services programs and improvements are considered supplemental, above normal base level services provided by the City of Santa Rosa and are only provided for the special benefit of assessed parcels within the boundaries of

RAILROAD SQUARE - SANTA ROSA CBD – ASSESSMENT ENGINEER’S REPORT

the proposed RRSQCBD.

The District includes 93 parcels of which 92 are identified as assessable within 3 geographic Benefit Zones and 1 land use Benefit Zone and which are listed in the Assessment Roll included as Appendix 1. For further information, a District Boundary Map showing benefit zones is included as Appendix 2.

Finding 2. From Section 4(a): “Separate general benefits (if any) from the special benefits conferred on parcel(s). Only special benefits are assessable. “

QUANTITATIVE BENEFIT ANALYSIS

As stipulated in Article XIID Section 4(b) of the California Constitution, assessment district programs and activities confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the assessed properties. For the purposes of this analysis, a “general benefit” is hereby defined as: “A benefit to properties in the area and in the surrounding community or benefit to the public in general resulting from the improvement, activity, or service to be provided by the assessment levied”. “Special benefit” as defined by the California State Constitution means a distinct benefit over and above general benefits conferred on real property located in the district or to the public at large.

The property uses within the boundaries of the District that will receive special benefits from District funded programs and services are currently a mix of general commercial, retail, office, parking and government facilities. Services, programs and improvements provided and funded by the District (i.e. Civil Sidewalks, District Identity and Place Making, Administration and Contingency) are primarily designed to provide special benefits to identified assessed parcels and the array of land uses within the boundaries of the RRSQCBD as described in the Work Plan Details starting on page 10 of this Report.

The proposed District programs, improvements and services and Year 1 (2020) budget allocations are shown in the Table below:

Year 1 - District Special Benefit Budget (Assessment Revenue Only)

BUDGET CATEGORY	YR 1 BUDGET %	YR 1 BUDGET
CIVIL SIDEWALKS	68.63%	\$160,000
DISTRICT IDENTITY/PLACEMAKING	12.87%	\$30,000
ADMINISTRATION	18.02%	\$42,000
CONTINGENCY	0.48%	<u>\$1,122</u>
TOTAL	100%	\$233,122

The special benefits conferred on assessed parcels within the RRSQCBD are particular and distinct to each and every identified assessed parcel within the RRSQCBD and are not provided to non-assessed parcels outside of the RRSQCBD. These programs, services and improvements will only be provided to each individual assessed parcel within the District boundaries and, in turn, confer proportionate

"special benefits" to each assessed parcel.

In the case of the RRSQCBD, the very nature of the purpose of this RRSQCBD is to fund supplemental programs, services and improvements to assessed parcels within the District boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. The City of Santa Rosa does not provide these programs and services. All benefits derived from the assessments to be levied on assessed parcels within the District are for services, programs and improvements directly benefiting each individual assessed parcel within the District. No District funded services, activities or programs will be provided outside of the District boundaries.

While every attempt is made to provide District services and programs to confer benefits only to those identified assessed parcels within the District, the California State Constitution was amended via Proposition 218 to stipulate that general benefits exist, either by design or unintentional, in all assessment districts and that a portion of the program costs must be considered attributable to general benefits and assigned a value. General benefits cannot be funded by assessment revenues. General benefits might be conferred on parcels within the RRSQCBD, or "spillover" onto parcels surrounding the RRSQCBD, or to the public at large who might be passing through the RRSQCBD with no intention of transacting business within the RRSQCBD or interest in the RRSQCBD itself.

Empirical assessment engineering analysis throughout California has found that general benefits within a given business improvement district tend to range from 2-6% of the total costs. There are three methods that have been used by this Engineer for determining general and special benefit values within assessment districts:

- (1) The parcel by parcel allocation method
- (2) The program/activity line item allocation method, and
- (3) The composite district overlay determinant method.

A majority of CBDs/PBIDs in California for which this Assessment Engineer has provided assessment engineering services since the enactment of Proposition 218, (Article XIIIID Section 4(b) of the California Constitution) have used Method #3, the composite district overlay determinant method which will be used for the RRSQCBD. This method of computing the value of general benefit involves a composite of three distinct types of general benefit – general benefit to assessed parcels within the RRSQCBD, general benefit to the public at large within the RRSQCBD and general benefit to parcels outside the RRSQCBD.

General Benefit – Assessed Parcels within District

RRSQCBD funded programs are narrowly designed and carefully implemented to specially benefit the assessed District parcels and are only provided for the special benefit to each and every assessed parcel within the District. It is the opinion of this Engineer, based on over 30 years of professional assessment engineering experience, that nearly 100% of benefits conferred on assessed parcels within the District are distinct and special but in the case of the RRSQCBD, it is projected that there are 0.25% general benefits conferred on these assessed parcels. This high ratio of special benefits to general benefits is because the RRSQCBD funded programs and services are specially geared to the unique needs of each assessed parcel within the RRSQCBD and are directed specially only to these assessed parcels within

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the RRSQCBD. This concept is further reinforced by the proportionality of special benefits conferred on each assessed parcel within the District as determined by the special benefit assessment formula as it is applied to the unique and varying property characteristics of each assessed parcel. The computed 0.25% general benefit value on assessed parcels within the RRSQCBD equates to \$583 or (.25% x \$233,122).

General Benefit - Public At Large

While the RRSQCBD funded programs are narrowly designed and carefully implemented to specially benefit the assessed District properties and are only provided for the special benefit to each and every assessed parcel within the District, these District funded programs may also provide an incidental general benefit to the public at large within the District. Assessment Engineering experience in California has found that generally well over 95% of people moving about within District boundaries are engaged in business related to assessed parcels and businesses contained on them within the District, while the public at large “just passing through” is typically much less than 5%. Based on this experience curve and the focused nature of the proposed RRSQCBD funded programs and over 30 years of assessment engineering experience, it is the opinion of this Engineer that general benefit factors for each of the District funded special benefit program element costs that might provide an immediate general benefit to the public at large are as shown in the chart below. These factors are applied to each program element costs in order to compute the dollar and percent value of general benefits to the public at large. The total dollar value of this general benefit type equates to \$2766 as delineated in the following Table:

GENERAL BENEFITS TO “PUBLIC AT LARGE”

	A	B	C	E
Program Element	Dollar Allocation	General Benefit Percent	General Benefit Factor	General Benefit Value (A x C)
CIVIL SIDEWALKS	\$160,000	1.50%	0.0150	\$2,400
DISTRICT IDENTITY/PLACEMAKING	\$30,000	0.50%	0.0050	\$150
ADMINISTRATION	\$42,000	0.50%	0.0050	\$210
CONTINGENCY	<u>\$1,122</u>	0.50%	0.0050	<u>\$6</u>
TOTAL	\$233,122			\$2,766

Spillover General Benefits to Parcels Outside of District

While District programs and services will not be provided directly to parcels outside the District boundaries, it is reasonable to conclude that District services may confer an indirect general benefit on parcels immediately adjacent to the District boundaries. An inventory of the District boundaries finds that the District is surrounded by 31 parcels, of which 2 are commercial/industrial uses and 29 are residential , government or non-profit uses adjacent to or across a street or alley from the proposed RRSQCBD. It is noted that there is 1 non-identified (i.e. not assessed) parcels within the proposed RRSQCBD.

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The 31 parcels outside the District boundaries plus the 1 non-identified parcel within and immediately adjacent to assessed parcels within the District can reasonably be assumed to receive some indirect general benefit as a result of BID funded programs, services and improvements. Based on over 30 years of assessment engineering experience, it is the opinion of this Engineer that a benefit factor of 1.0 be attributed to the 92 identified assessed parcels within the District; a benefit factor of 0.05 be attributed to general benefits conferred on the 3 commercial/industrial parcels adjacent to or across a street or alley from the proposed RRSQCBD and the 1 non-identified parcel within the proposed RRSQCBD; and a benefit factor of 0.01 be attributed to general benefits conferred on the 36 residential, government and non-profit parcels/uses adjacent to or across a street or alley from the proposed RRSQCBD. The cumulative dollar value of this general benefit type equates to \$1,115 (\$380 + \$735) as delineated in the Table below.

“Spillover” General Benefits

Parcel Type	Quantity	Benefit Factor	Benefit Units	Benefit Percent	Benefit Value
Identified assessed parcels in the District	92	1.00	92.00	99.5240%	\$233,122
Non-identified parcels within the District and Commercial/Industrial Parcels/Uses Outside the District	3	0.05	0.15	0.1623%	\$380
Residential, government , non-profit parcels/uses outside the District	29	0.01	0.29	<u>0.3137%</u>	<u>\$735</u>
TOTAL			92.44	100.00%	\$234,237

Composite General Benefit

Based on the general benefit values delineated in the three sections above, the total value of general benefits conferred on assessed parcels within the District, the public at large and parcels outside the District equates to \$4464 (\$583 + \$2,766 + \$1,115) or 1.88%. For the purpose of this benefit analysis, the general benefit value of 1.88% will be conservatively rounded up to 2% or \$4,758. This leaves a value of 98% assigned to special benefit related costs. The general benefit value of \$4,758 when added to the special benefit value of \$233,122 (Year 1 assessments) equates to a total adjusted Year 1 operating year program cost of \$237,880. Remaining costs that are attributed to general benefits, will need to be derived from other sources. A comparison of special and general benefit funding sources is shown in the following Table:

Special and General Benefit Revenue Sources

Revenue Source	Revenue	% of Total
District Assessments	\$233,122	98%
Grants, donations, sponsors, program income, etc.	\$4,758	2%
TOTAL	\$237,880	100.0%

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A breakdown of projected special and general benefit costs for the first 10 years of the District is shown in the following Table:

Total Year 1-10 Special + General Benefit Costs

YR	PROGRAM CATEGORY	SPECIAL BENEFIT ASSESSMENT COSTS	GENERAL BENEFIT NON- ASSESSMENT COSTS	TOTAL ADJUSTED COSTS	% OF TOTAL
1	CIVIL SIDEWALKS	\$160,000	\$3,265	\$163,265	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$30,000	\$612	\$30,612	12.87%
	ADMINISTRATION	\$42,000	\$22,285	\$64,285	18.02%
	CONTINGENCY	<u>\$1,122</u>	<u>\$23</u>	<u>\$1,145</u>	<u>0.48%</u>
	Total	\$233,122	\$4,758	\$237,880	100.00%
2	CIVIL SIDEWALKS	\$168,000	\$3,428	\$171,428	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$31,500	\$643	\$32,143	12.87%
	ADMINISTRATION	\$44,100	\$23,399	\$67,499	18.02%
	CONTINGENCY	<u>\$1,178</u>	<u>\$24</u>	<u>\$1,202</u>	<u>0.48%</u>
	Total	\$244,778	\$27,494	\$272,272	100.00%
3	CIVIL SIDEWALKS	\$176,400	\$3,599	\$179,999	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$33,075	\$675	\$33,750	12.87%
	ADMINISTRATION	\$46,305	\$24,569	\$70,874	18.02%
	CONTINGENCY	<u>\$1,237</u>	<u>\$25</u>	<u>\$1,262</u>	<u>0.48%</u>
	Total	\$257,017	\$28,868	\$285,885	100.00%
4	CIVIL SIDEWALKS	\$185,220	\$3,779	\$188,999	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$34,729	\$709	\$35,438	12.87%
	ADMINISTRATION	\$48,620	\$25,797	\$74,417	18.02%
	CONTINGENCY	<u>\$1,299</u>	<u>\$26</u>	<u>\$1,325</u>	<u>0.48%</u>
	Total	\$269,868	\$30,311	\$300,179	100.00%
5	CIVIL SIDEWALKS	\$194,481	\$3,968	\$198,449	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$36,465	\$744	\$37,209	12.87%
	ADMINISTRATION	\$51,051	\$27,087	\$78,138	18.02%
	CONTINGENCY	<u>\$1,364</u>	<u>\$27</u>	<u>\$1,391</u>	<u>0.48%</u>
	Total	\$283,361	\$31,826	\$315,187	100.00%

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6	CIVIL SIDEWALKS	\$204,205	\$4,166	\$208,371	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$38,288	\$781	\$39,069	12.87%
	ADMINISTRATION	\$53,604	\$28,441	\$82,045	18.02%
	CONTINGENCY	<u>\$1,432</u>	<u>\$28</u>	<u>\$1,460</u>	<u>0.48%</u>
	Total	\$297,529	\$33,416	\$330,945	100.00%
7	CIVIL SIDEWALKS	\$214,415	\$4,374	\$218,789	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$40,202	\$820	\$41,022	12.87%
	ADMINISTRATION	\$56,284	\$29,863	\$86,147	18.02%
	CONTINGENCY	<u>\$1,504</u>	<u>\$29</u>	<u>\$1,533</u>	<u>0.48%</u>
	Total	\$312,405	\$35,086	\$347,491	100.00%
8	CIVIL SIDEWALKS	\$225,136	\$4,593	\$229,729	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$42,212	\$861	\$43,073	12.87%
	ADMINISTRATION	\$59,098	\$31,356	\$90,454	18.02%
	CONTINGENCY	<u>\$1,579</u>	<u>\$30</u>	<u>\$1,609</u>	<u>0.48%</u>
	Total	\$328,025	\$36,840	\$364,865	100.00%
9	CIVIL SIDEWALKS	\$236,393	\$4,823	\$241,216	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$44,323	\$904	\$45,227	12.87%
	ADMINISTRATION	\$62,053	\$32,924	\$94,977	18.02%
	CONTINGENCY	<u>\$1,658</u>	<u>\$32</u>	<u>\$1,690</u>	<u>0.48%</u>
	Total	\$344,427	\$38,683	\$383,110	100.00%
10	CIVIL SIDEWALKS	\$248,213	\$5,064	\$253,277	68.63%
	DISTRICT IDENTITY/PLACEMAKING	\$46,539	\$949	\$47,488	12.87%
	ADMINISTRATION	\$65,156	\$34,570	\$99,726	18.02%
	CONTINGENCY	<u>\$1,741</u>	<u>\$34</u>	<u>\$1,775</u>	<u>0.48%</u>
	Total	\$361,649	\$40,617	\$402,266	100.00%

DISTRICT WORK PLAN

Overview

The Programs and activities to be funded by the RRSQCBD include Civil Sidewalks, District Identity and Place Making, Administration and Contingency. The property uses within the boundaries of the District that will receive special benefits from District funded programs, services and improvements are currently an array of highly rated commercial retailers, restaurants, major and boutique hotels, the SMART Train Station, service providers, industrial and warehouse facilities, Class A and B office buildings and soon will be home to a full block of market rate housing. District funded activities are primarily designed to provide special benefits as described below to identified assessed parcels and

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array of land uses within the boundaries of the District.

These benefits are particular and distinct to each and every identified assessed parcel within the RRSQCBD and are not provided to non-assessed parcels outside of the District. These programs, services and improvements will only be provided to each individual assessed parcel within the District boundaries and, in turn, confer proportionate "special benefits" to each assessed parcel.

In the case of the RRSQCBD, the very nature of the purpose of this District is to fund supplemental programs, services and improvements to assessed parcels within the District boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. The City of Santa Rosa does not provide these supplemental programs and services. All benefits derived from the assessments to be levied on assessed parcels within the District are for services, programs and improvements directly benefiting each individual assessed parcel within the District. No District funded services, activities or programs will be provided outside of the District boundaries.

The projected program special benefit cost allocation of the District assessment revenues for the first 10-year District term assuming a 5% maximum annual assessment rate increase is shown in the Table on page 15-16 of this Report.

WORK PLAN DETAILS

The following programs, services and improvements are proposed by the RRSQCBD to specially benefit each and every individually assessed parcel within the District boundaries. RRSQCBD services, programs and improvements will not be provided to parcels outside the District boundary. Assessment funds generated in each benefit zone shall only be used to provide services which specially benefit individual assessed parcels within that benefit zone.

CIVIL SIDEWALKS:

Examples of this category of special benefit services and costs may include, but are not limited to:

- Regular sidewalk and gutter sweeping
- Regular sidewalk steam cleaning
- Beautification of the district
- Enhanced trash emptying (over and above city services)
- Timely graffiti removal, within 24 hours as necessary
- Tree and vegetation maintenance (over and above city services)
- Maintenance of existing and new public spaces
- Installation of and maintenance of hanging plants, planting flowers throughout the district
- Private security or case workers to respond to homeless issues, aggressive panhandling and mentally ill people behaving poorly in the public rights of way, including possible hiring of SR PD Bike patrols and/or a camera system

The goal of the civil sidewalk programs is to ensure that all identified assessed parcels are clean, safe, and well maintained, thereby creating a safe and attractive District. Various levels of clean and safe activities will be required over time to maintain the District.

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These programs will assist in creating a safe and secure environment for each assessed parcel in the District. A dirty or unsafe environment deters commerce and may fail to attract patrons and visitors, and reduce commercial rents and commercial occupancies.

For commercial parcels, this activity is designed to increase vehicular and pedestrian traffic, increase commerce and customer activity, attract and retain new business and patrons, and may increase commercial rents and commercial occupancies for the assessed parcels within the BID boundaries. In the case of assessed publicly owned parcels, District funded clean and safe programs and services provide these parcels with safer and enhanced facility entrances and perimeters and better public facilities in turn for their employees, visitors, vendors and users of these public facilities. Each assessed parcel will specially benefit from these programs and services which will only be provided to, and for the direct benefit of, each identified assessed parcel within the District boundaries.

DISTRICT IDENTITY AND PLACEMAKING:

Examples of this category of special benefit services and costs may include, but are not limited to:

- Web site development and updating
- Management and coordination of special events
- Hiring a professional Social media, public relations firm
- Holiday and seasonal decorations
- Branding of the Railroad Square CBD properties so a positive image is promoted to the public including the development of a new logo
- Banner programs
- Public art displays
- Public space design and improvements

For commercial parcels, district identity services are specifically designed to attract more customers, employees, tenants and investors for the special benefit of assessed parcels as a result of marketing assessed parcels and the goods and services and spaces available on these assessed parcels. This in turn, is intended to increase business volumes, sales transactions, commercial occupancies, commercial rental income and investment return. In the case of publicly owned parcels that are assessed for these programs, District funded marketing and district identity creates better public facilities and services on these assessed parcels by fostering better informed public employees, visitors, vendors and users of these public facilities.

For commercial parcels, placemaking improvements are specifically designed to attract more customers, employees, tenants and investors for the special benefit of assessed parcels as a result of beautifying each and every assessed District parcel. This in turn, is intended to increase business volumes, sales transactions, commercial occupancies, commercial rental income and investment return. In the case of publicly owned parcels that are assessed for these programs, placemaking improvements create better public facilities and services on these assessed parcels by improving the aesthetics of these public parcels and facilities. Streetscape improvements and programs will only be provided to, and for the direct and special benefit of, each identified assessed parcel within the District.

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ADMINISTRATION

Examples of this category of special benefit services and costs may include, but are not limited to:

- Staff and administrative costs
- General liability as well as Directors and Officers Insurance
- Office related expenses
- Rent
- Financial reporting and accounting
- Legal work

CONTINGENCY

Examples of this category of special benefit services and costs include, but are not limited to:

- Delinquencies, City/County fees, reserves

These latter components, Administration & Contingency are key to the proper expenditure of District assessment funds and the administration of District programs and activities for the special benefit of all parcels and land uses within the RRSQCBD. District Administration & Contingency exists only for the purposes of the District and directly relates to the implementation of all other CBD funded programs, services and improvements which specially benefit each identified assessed parcel within the District boundaries.

ENHANCED RESIDENTIAL CONDO UNIT IMPROVEMENTS:

Examples of these special benefit services and costs may include, but are not limited to:

Current and future residential condominium development built within the boundaries of the Railroad Square CBD will be assessed separately due to their unique parcel status and special benefit needs in the district. Residential condos buildings will have special benefit services conferred on the frontage their parcels. These services may include, but will not be limited to:

- Installation, stocking and upkeep of pet waste distribution stations on the frontages adjacent to the high concentrations of residential condo individually assessed parcels;
- Enhancement and beautification of sidewalks on the frontages adjacent to the high concentrations of residential individually assessed parcels;
- Installation of hanging plants, and enhanced upkeep in the sidewalks surrounding these frontages adjacent to these residential condos;
- Other services requested by the residents that confer special benefit to the areas directly adjacent to the parcels with high concentrations of residential condos;
- Proportional share of the Administrative and Contingency costs to cover the oversight of the Enhanced beautification special benefit services.

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In the case of assessed residential use parcels, CBD programs and services are designed to improve the cleanliness and security of entrances and perimeters and livability of residential units for the special benefit of each assessed residential parcel and in turn their tenants, visitors and owners, which, in turn, may increase occupancies and rental income.

In summary, all District funded services, programs and improvements described above confer special benefits to identified assessed parcels inside the District boundaries and none will be provided outside of the District. Each assessed parcel within the RRSQCBD will proportionately specially benefit from the Civil Sidewalks, District Identity and Place Making, Administration and Contingency. These services, programs and improvements are intended to improve commerce, employment, livability, rents, occupancy rates and investment return of parcels, businesses and residences within the RRSQCBD by reducing crime, litter and debris, and professionally marketing goods, services and spaces available within the District, all considered necessary in a competitive properly managed contemporary business district. All District funded services programs and improvements are considered supplemental, above normal base level services provided by the City of Santa Rosa and are only provided for the special benefit of each and every assessed parcel within the boundaries of the RRSQCBD.

WORK PLAN BUDGET

Each identified assessed parcel within the RRSQCBD will be assessed the full amount of the proportionate special benefit conferred upon it based on the level of District funded services provided within each benefit zone. The projected District program special benefit (assessment) cost allocation budget for Year 1 is shown in the following Table:

RRSQCBD Year 1 Special Benefit Assessment Budget

BUDGET CATEGORY	YR 1 BUDGET %	YR 1 BUDGET
CIVIL SIDEWALKS	68.63%	\$160,000
DISTRICT IDENTITY/PLACEMAKING	12.87%	\$30,000
ADMINISTRATION	18.02%	\$42,000
CONTINGENCY	0.48%	\$1,122
TOTAL	100%	\$233,122

In order to carry out the District programs outlined in the previous section, a Year 1 assessment budget of \$233,122 is projected. Since the District is planned in perpetuity, projected program costs for future years are set at the inception of the District. While future inflationary and other program cost increases are unknown at this point, a built in maximum increase of 5% per annum, commensurate to special benefits received by each assessed parcel, is incorporated into the projected program costs and assessment rates for future years. Carryovers, if any, may be reapportioned the following year for related programs, services and improvements. Detailed annual budgets will be prepared by the Owner’s Association Board and included in an Annual Plan for the City Council’s review and approval.

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It is recognized that market conditions may cause the cost of providing goods and services to fluctuate from year to year. Accordingly, the Owners’ Association shall have the ability to reallocate up to 10% of any budget line item within the budget categories based on such cost fluctuations subject to the review and approval by the Owners’ Association Board and included in the Annual Planning Report that will be approved by the Santa Rosa City Council pursuant to Streets and Highways Code Section 36650. Any accrued interest or delinquent payments may be expended in any budget category.

Though the district has no set term, shown below is the first 10-year projected RRSQCBD budget:

YEAR 1-10 - PROJECED DISTRICT ASSESSMENT BUDGET (Special Benefit Costs)
 (Assumes 5% max rate increase per year)

YR	ZONE	CIVIL SIDEWALKS	DISTRICT IDENTITY/ PLACEMAKING	ADMIN- STRATION	CONTIN- GENCY	TOTAL
		68.63%	12.87%	18.02%	0.48%	100%
1	1	\$94,489	\$17,717	\$24,803	\$663	\$137,672
	2	\$32,838	\$6,157	\$8,620	\$230	\$47,845
	3	\$32,673	\$6,126	\$8,577	\$229	\$47,605
	TOTAL	\$160,000	\$30,000	\$42,000	\$1,122	\$233,122
2	1	\$99,213	\$18,603	\$26,043	\$696	\$144,555
	2	\$34,480	\$6,465	\$9,051	\$242	\$50,238
	3	\$34,307	\$6,432	\$9,006	\$240	\$49,985
	TOTAL	\$168,000	\$31,500	\$44,100	\$1,178	\$244,778
3	1	\$104,174	\$19,533	\$27,345	\$731	\$151,783
	2	\$36,204	\$6,788	\$9,504	\$254	\$52,750
	3	\$36,022	\$6,754	\$9,456	\$252	\$52,484
	TOTAL	\$176,400	\$33,075	\$46,305	\$1,237	\$257,017
4	1	\$109,383	\$20,510	\$28,712	\$768	\$159,373
	2	\$38,014	\$7,127	\$9,979	\$267	\$55,387
	3	\$37,823	\$7,092	\$9,929	\$265	\$55,109
	TOTAL	\$185,220	\$34,729	\$48,620	\$1,300	\$269,869
5	1	\$114,852	\$21,536	\$30,148	\$806	\$167,342
	2	\$39,915	\$7,483	\$10,478	\$280	\$58,156
	3	\$39,714	\$7,447	\$10,425	\$278	\$57,864
	TOTAL	\$194,481	\$36,466	\$51,051	\$1,364	\$283,362
6	1	\$120,595	\$22,613	\$31,655	\$846	\$175,709
	2	\$41,911	\$7,857	\$11,002	\$294	\$61,064
	3	\$41,700	\$7,819	\$10,946	\$292	\$60,757
	TOTAL	\$204,206	\$38,289	\$53,603	\$1,432	\$297,530

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7	1	\$126,625	\$23,744	\$33,238	\$888	\$184,495
	2	\$44,007	\$8,250	\$11,552	\$309	\$64,118
	3	\$43,785	\$8,210	\$11,493	\$307	\$63,795
	TOTAL	\$214,417	\$40,204	\$56,283	\$1,504	\$312,408
8	1	\$132,956	\$24,931	\$34,900	\$932	\$193,719
	2	\$46,207	\$8,663	\$12,130	\$324	\$67,324
	3	\$45,974	\$8,621	\$12,068	\$322	\$66,985
	TOTAL	\$225,137	\$42,215	\$59,098	\$1,578	\$328,028
9	1	\$139,604	\$26,178	\$36,645	\$979	\$203,406
	2	\$48,517	\$9,096	\$12,737	\$340	\$70,690
	3	\$48,273	\$9,052	\$12,671	\$338	\$70,334
	TOTAL	\$236,394	\$44,326	\$62,053	\$1,657	\$344,430
10	1	\$146,584	\$27,487	\$38,477	\$1,028	\$213,576
	2	\$50,943	\$9,551	\$13,374	\$357	\$74,225
	3	\$50,687	\$9,505	\$13,305	\$355	\$73,852
	TOTAL	\$248,214	\$46,543	\$65,156	\$1,740	\$361,653

The RRSQCBD assessments may increase for each individual parcel each year, but not to exceed 5% per year, commensurate to special benefits received by each assessed parcel, and must be approved by the Owners’ Association Board of Directors, included in the Annual Planning Report and adopted by the City of Santa Rosa City Council. Any accrued interest and delinquent payments will be expended within the budgeted categories. The Owners’ Association Board of the Directors (“Property Owner’s Association of the RRSQCBD) shall determine the percentage increase to the annual assessment and the methodology employed to determine the amount of the increase. The Owners’ Association Executive Director shall communicate the annual increase to the City each year in which the District operates at a time determined in the Administration Contract held between the Owners’ Association and the City of Santa Rosa. No bonds are to be issued in conjunction with the proposed District.

Finding 3. From Section 4(a): “(Determine) the proportionate special benefit derived by each parcel in relationship to the entirety of the.....cost of public improvement(s) or the maintenance and operation expenses.....or the cost of the property related service being provided.

Each identified assessed parcel within the district will be assessed based on property characteristics unique only to that parcel. Based on the specific needs and corresponding nature of the program activities to be funded by the proposed RRSQCBD (i.e. Civil Sidewalks, District Identity and Place Making, Administration and Contingency). It is the opinion of this Assessment Engineer that the assessment factors on which to base assessment rates relate directly to the proportionate amount of building area, land area and street frontage, except where noted herein, within 3 geographic Benefit Zones and 1 land use Benefit Zone.

The calculated assessment rates are applied to the actual measured parameters of each parcel and

thereby are proportional to each and every other identified assessed parcel within the district as a whole and the Benefit Zone in which it is located. Larger parcels and/or ones with larger building areas and/or located in Zone 1 are expected to impact the demand for services and programs to a greater extent than smaller land and/or building areas and/or located in other Zones and thus, are assigned a greater proportionate degree of assessment program and service costs. The proportionality is further achieved by setting targeted formula component weights for the respective parcel by parcel identified property attributes.

The proportionate special benefit cost for each parcel has been calculated based on proportionate formula components and is listed as an attachment to the Management District Plan and this Report. The individual percentages (i.e. proportionate relationship to the total special benefit related program and activity costs) is computed by dividing the individual parcel assessment by the total special benefit program costs.

Finding 4. From Section 4(a): “No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.”

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which would be possible through the proposed RRSQCBD, they are also considerably less than other options considered by the RRSQCBD Formation Committee. The actual assessment rates for each parcel within the District directly relate to the level of service and, in turn, special benefit to be conferred on each parcel based on the respective building area, land area and street frontage of each parcel, except as noted herein, within 3 geographic Benefit Zones and 1 land use Benefit Zone.

Finding 5. From Section 4(a): “Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment.....”

The State Constitution - Article 13D (Proposition 218) states that “parcels within a District that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly-owned parcels in fact receive no special benefit.”

There are 3 publicly owned parcels within the District, all of which are identified as assessable and for which special benefit services will be provided. 2 of the publicly owned parcels are owned by the Sonoma-Marin Area Rail Transit District and 1 by the City of Santa Rosa.

Each identified assessed publicly owned parcel and facility within the District will proportionately benefit from the District funded supplemental sidewalk operations (clean and safe), district identity (newsletter and website) and administration. For identified assessed publicly owned parcels and facilities, each of these parcels specially benefit from District funded programs and services from cleaner and safer facility entrances and perimeters. In addition, the district identity programs benefit publicly owned parcels by announcing public events and activities held at these public facilities and apprise employees of important District news, security issues and alerts and crime statistics. These services and programs are designed to improve the safety and cleanliness and usability of each publicly owned assessed parcel and facility within the District by reducing crime, litter and debris, all considered detractions to employment, visitation and use of public facilities if not contained and properly managed.

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In the opinion of this Assessment Engineer, there is no clear and convincing evidence that these 3 publicly owned parcels will not proportionately specially benefit from District services, programs and improvements; therefore, each publicly owned parcel will be assessed at the full zone rate with assessments to be based on the building area, land area and street frontage of each parcel, except as noted herein, for parking parcels which will be based on the number of public parking spaces within each lot or facility.

The Table below lists all publicly owned parcels within the proposed RRSQCBD and their Year 1 assessment amounts:

RRSQCBD PUBLICLY OWNED PARCELS

APN	Legal Owner	Zone	Site Street	Year 1 Assessment	% of Total
010-171-005	CITY OF SANTA ROSA	1	9 4 TH ST	\$3,384.00	1.45%
			Sub Total	\$3,384.00	
010-171-019	SONOMA-MARIN AREA RAIL TRANSIT DISTRICT	3	2 4 TH ST	\$16,315.20	6.99%
010-166-03	SONOMA-MARIN AREA RAIL TRANSIT DISTRICT	3	34 W 6 TH ST	\$10,387.10	4.45%
			Sub Total	\$26,702.30	11.44%
			TOTAL	\$30,085.30	12.89%

Finding 6. From Section 4(b): “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California”.

This report serves as the “detailed engineer’s report” to support the benefit property assessments proposed to be levied within the proposed RRSQCBD.

Finding 7. From Section 4(c): “The amount of the proposed assessment for each parcel shall be calculated (along with) the total amount thereof chargeable to the entire district, the duration of such payments, the reason for such assessment and the basis upon which the amount of the proposed assessment was calculated.”

The individual and total parcel assessments attributable to special property benefits are shown in Appendix 1 to the Management District Plan and this Report. The proposed District and resultant assessment levies will continue in perpetuity until discontinued by a vote of the CBD property owners at that time. The reasons (purposes) for the proposed assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is attributed to building area, land area and street frontage, except where noted herein.

Assessment Formula Methodology

Step 1. Select “Basic Benefit Unit(s)”

Background - Assessment Formula Development

The method used to determine special benefits derived by each identified assessed property within a CBD begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the RRSQCBD, the benefit unit may be measured in linear feet of street frontage or parcel size in square feet or building size in square feet or any combination of these factors. Factor quantities for each parcel are then measured or otherwise ascertained. From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to specific programs and improvements to be funded by the CBD in order to determine any levels of different benefit that may apply on a parcel-by-parcel or categorical basis.

Based on the factors described above such as geography and nature of programs and activities proposed, an assessment formula is developed which is derived from a singular or composite basic benefit unit factor or factors. Within the assessment formula, different factors may be assigned different “weights” or percentage of values based on their relationship to programs/services to be funded.

Next, all program and activity costs, including incidental costs, District administration and ancillary program costs, are estimated. It is noted, as stipulated in Article XIID Section 4(b) of the California Constitution, and now required of all property-based assessment Districts, indirect or general benefits costs may not be incorporated into the assessment formula and levied on the District properties; only direct or “special” benefits and costs may be considered. Indirect or general benefit costs, if any, must be identified and, if quantifiable, calculated and factored out of the assessment cost basis to produce a “net” cost figure. In addition, Article XIID Section 4(b) of the California Constitution also no longer automatically exempts publicly owned property from being assessed unless the respective public agency can provide clear and convincing evidence that their property does not specially benefit from the programs and services to be funded by the proposed special assessments. If special benefit is determined to be conferred upon such properties, they must be assessed in proportion to special benefits conferred in a manner similar to privately owned property assessments. (See page 17 of this Report for discussion regarding publicly owned parcels within the RRSQCBD).

From the estimated net program costs, the value of a basic benefit unit or “basic net unit cost” can be computed by dividing the total amount of estimated net program costs by the total number of benefit units. The amount of assessment for each parcel can be computed at this time by multiplying the Net Unit Cost times the number of Basic Benefit Units per parcel. This is known as “spreading the assessment” or the “assessment spread” in that all costs are allocated proportionally or “spread” amongst all benefitting properties within the District.

The method and basis of spreading program costs varies from one District to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the district. Districts may require secondary benefit zones to be identified to allow for a tiered assessment formula for variable or “stepped-down” benefits derived.

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RRSQCBD Assessment Formula

Based on the specific needs and corresponding nature of the program activities to be funded by the proposed RRSQCBD (i.e. Civil Sidewalks, District Identity/Placemaking, Administration and Contingency) it is the opinion of this Assessment Engineer that the assessment factors on which to base assessment rates relate directly to the proportionate amount of building area, land area and street frontage, except where noted herein, within 3 geographic Benefit Zones and 1 land use Benefit Zone.

The “Basic Benefit Units” will be expressed as a combined function of gross building square footage (Benefit Unit “A”), land square footage (Benefit Unit “B”), street frontage (Benefit Unit “C”) and in all Zones, residential condominium interior building square footage (Benefit Unit “D”). Based on the shape of the proposed RRSQCBD, as well as the nature of the District program elements, it is determined that all identified assessed properties will gain a direct and proportionate degree of special benefit based on the respective amount of building area, land area and street frontage, except where noted herein, within 3 geographic Benefit Zones and 1 land use Benefit Zone.

For the array of land uses within the District, the interactive application of building area, land area, street frontage and parking space quantities are a proven method of fairly and equitably spreading special benefit costs to these beneficiaries of District funded services, programs and improvements. Each of these factors directly relates to the degree of special benefit each assessed parcel will receive from District funded activities within each benefit zone.

In the opinion of this Assessment Engineer, the targeted weight of Zone 1 revenue to match the projected costs of Zone 1 services, should generate approximately 60% of the total District revenue (59.055702% when adjusted for precise parcel measurements and program costs and service levels).

In turn, in the opinion of this Assessment Engineer, the targeted weight of Zone 2 revenue to match the projected costs of Zone 2 services, should generate approximately 20% of the total District revenue (20.523463% when adjusted for precise parcel measurements and program costs and service levels).

In turn, in the opinion of this Assessment Engineer, the targeted weight of Zone 3 revenue to match the projected costs of Zone 2 services, should generate approximately 20% of the total District revenue (20.420835% when adjusted for precise parcel measurements and program costs and service levels).

Building area is a direct measure of the static utilization of each parcel and its corresponding impact or draw on District funded activities. In the opinion of this Assessment Engineer, the targeted weight of this factor, building area, should generate approximately 60% of the total District revenue (59.629542% when adjusted for precise parcel measurements and program costs and service levels). It is noted that this include all building square footage – residential condos, office and all other building areas.

Land area is a direct measure of the current and future development capacity of each parcel and its corresponding impact or draw on District funded activities. In the opinion of this Assessment Engineer, the targeted weight of this factor, land area, should generate approximately 15% of the total District revenue (13.962019% when adjusted for precise parcel measurements and program costs and service levels).

Street Frontage is a direct measure of the static utilization of each parcel and its corresponding impact

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or draw on District funded activities, many of which are linear in nature (i.e. Sidewalk Operations). In the opinion of this Assessment Engineer, the targeted weight of this factor, street frontage, should generate approximately 25% of the total District revenue (26.408439% when adjusted for precise parcel measurements and program costs and service levels).

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified specially benefiting parcels within the District and their respective assessable benefit units, the rates, cumulative quantities and assessment revenues by factor and zone are shown in the following Tables:

Year 1 - Assessable Benefit Units

BENEFIT ZONE	CONDO BLDG AREA (SF)	OFFICE BLDG AREA (SF)	ALL OTHER BLDG AREA (SF)	ASSESSABLE LAND AREA (SF)	ASSESSABLE STREET FRONTAGE (LF)	# OF ASSESSABLE PARCELS	NON-ASSESSED PARCELS	TOTAL PARCELS
1	24,092	29,238	311,168	0	8,804	81	0	82
2	0	0	239,224	0	0	2	1	3
3	0	0	42,113	325,486	2,185	8	0	8
TOTAL	24,092	29,238	592,505	325,486	10,989	92	1	93

Year 1 – Projected Assessment Revenue By Benefit Zone per Assessment Factor

BENEFIT ZONE	CONDO BLDG AREA ASSMT REVENUE	OFFICE BLDG ASSMT REVENUE	OTHER BLDG AREA ASSMT REVENUE	LAND AREA ASSMT REVENUE	STREET FRONTAGE ASSMT REVENUE	SUBTOTAL ASSMT REVENUE	%
1	\$5,782.08	\$4,385.70	\$74,680.32	\$0.00	\$52,824.00	\$137,672.10	59.055702%
2	\$0.00	\$0.00	\$47,844.80	\$0.00	\$0.00	\$47,844.80	20.523463%
3	\$0.00	\$0.00	\$6,316.95	\$32,548.60	\$8,740.00	\$47,605.55	20.420835%
TOTAL	\$5,782.08	\$4,385.70	\$128,842.07	\$32,548.60	\$61,564.00	\$233,122.45	100.00%
Zone 1 %	2.480276%	1.881286%	32.034804%	0.000000%	22.659336%	59.055702%	
Zone 2 %	0.000000%	0.000000%	20.523463%	0.000000%	0.000000%	20.523463%	
Zone 3 %	0.000000%	0.000000%	2.709713%	13.962019%	3.749103%	20.420835%	
Total %	2.480276%	1.881286%	55.267980%	13.962019%	26.408439%	100.00%	

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the proposed RRSQCBD was computed from data extracted from County Assessor records and maps. These data sources delineate current land uses, building areas, property areas and dimensions of record for each tax parcel. While it is understood that this data does not represent legal field survey measurements or detailed title search of recorded land subdivision maps or building records, it does provide an acceptable basis for the purpose

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of calculating property-based assessments. All respective property data being used for assessment computations will be provided to each property owner in the District for their review. If a property owner believes there is an error on a parcel’s assessed footages, the District may confirm the data with the Sonoma County Assessor’s office. If District data matches Assessor’s data, the property owner may opt to work with the Assessor’s office to correct the data so that the District assessment may be corrected.

Step 4. Determine Assessment Formula

In the opinion of this Engineer, the assessment formula for the proposed RRSQCBD, except as noted herein, is as follows:

Assessments = Building Area (Unit A) Sq Ft x Unit A Zone Rate, plus
 Land Area (Unit B) Sq Ft x Unit B Zone Rate, plus
 Street Frontage (Unit C) Lin Ft x Unit C Zone Rate

YEAR 1 – Assessment Rates

BENEFIT ZONE	CONDO BLDG AREA ASSMT RATE (\$/SF)	OFFICE BLDG AREA ASSMT RATE (\$/SF)	OTHER BLDG AREA ASSMT RATE (\$/SF)	LAND AREA ASSMT RATE (\$/SF)	FRONTAGE ASSMT RATE (\$/LF)
1	\$0.24	\$0.15	\$0.24	\$0.00	\$6.00
2	\$0.24	\$0.00	\$0.20	\$0.00	\$0.00
3	\$0.24	\$0.00	\$0.15	\$0.10	\$4.00

Special Circumstances

1. Predominant office building uses will be classified and assessed at a lower building area rate than other commercial building space due to a lower proportional special benefit these parcels are expected to receive from the civil sidewalks and district identity services.
2. Residential condominiums (in any benefit zone) shall be assessed differently in that land area and street frontage are not relevant assessment factors for this unique, often multi-floor land use type. Such units will be assessed based solely of their respective amount of interior building area for each unit. This alternate assessment methodology is created to respond to the special needs of condominium owners within this growing Railroad Square district.
3. Ground floor commercial condominiums (future) will be treated as independent “mini” commercial buildings and assessed based on their actual building square footage, the footprint of land they cover or lot size of the commercial condominium, and the amount of direct primary street frontage on the exterior of the building.
4. Parcels that have a large portion of their lot sized closed to the public due to private parking, tenant parking or undeveloped land, will have that portion of their lot size assessment reduced due to the lack of public access.

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5. The percentage of building square footage that is dedicated to private or internal tenant parking needs may be deducted from the gross building square footage, based upon documentation provided by the parcel owner.
6. There are no parcels within the District that are zoned solely residential and exempt from District assessments in accordance with State District Law that conclusively presumes that parcels zoned solely residential do not benefit from District programs, improvements and activities and thus, are not subject to assessments.

Changes to Building or Parcel Size

If the building size on a parcel changes during the term of the District, the assessment calculation may be modified accordingly. Parcels with new construction shall have their assessment adjusted upon issuance of a certificate of occupancy for the new building area. In addition, any changes in parcel size as a result of land adjustments including but not limited to lot splits, consolidations, subdivisions, street dedications, right of way setbacks shall have their assessment adjusted upon final City approval of such parcel adjustments.

Other Future Development

Other than future maximum rates and the assessment methodology delineated in this Report, per State Law (Government Code Section 53750), future assessments may increase for any given parcel if such an increase is attributable to events other than an increased rate or revised methodology, such as a change in the density, intensity, or nature of the use of land. Any change in assessment formula methodology or rates other than as stipulated in this Plan would require a new Proposition 218 ballot procedure in order to approve any such changes.

The complete Year 1 assessment roll of all parcels to be assessed by this District is included in this Plan as Appendix I.

Assessment Formula Unit Rates

Using figures from the Assessable Benefit Units Table and the Projected Assessment Revenue Tables on page 21 of this Report, the assessment rates and weighted multipliers for each factor and zone are calculated as follows:

ZONE 1

Building Area Rate (Unit 1-A)

$(\$233,122.45 \times 32.034804\%) / 311,168 \text{ units} = \$0.24/\text{sq ft building area}$

Land Area Rate and Street Frontage Rate = Not Assessed in Zone 1

Street Frontage Rate (Unit 1-C)

$(\$233,122.45 \times 22.659336\%) / 8,804 \text{ units} = \$6.00/\text{lin ft street frontage}$

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ZONE 2

Building Area Rate (Unit 2-A)

$(\$233,122.45 \times 20.523463\%) / 239,224 \text{ units} = \$0.20/\text{sq ft bldg area}$

Land Area Rate and Street Frontage Rate = Not Assessed in Zone 2

ZONE 3

Building Area Rate (Unit 3-A)

$(\$233,122.45 \times 2.709713\%) / 42,113 \text{ units} = \$0.15/\text{sq ft bldg area}$

Land Area Rate (Unit 3-B)

$(\$233,122.45 \times 13.962019\%) / 325,486 \text{ units} = \$0.10/\text{sq ft land area}$

Street Frontage Rate (Unit 3-C)

$(\$233,122.45 \times 3.749103\%) / 2,185 \text{ units} = \$4.00/\text{lin ft street frontage}$

ALL ZONES

Office Building Area Rate

$(\$233,122.45 \times 1.881286\%) / 29,238 \text{ units} = \$0.15/\text{sq ft of office bldg. area}$

Residential Condominiums (Unit D) = \$0.24/sq ft of condo bldg area

Step 5. Estimate Total District Costs

The total projected first 10-year special benefit District costs are shown in the Table on pages 15-16 of this Report assuming a maximum increase per year, commensurate to special benefits received by each assessed parcel.

Step 6. Separate General Benefits from Special Benefits and Related Costs (Article XIID Section 4(b) of the California Constitution – Proposition 218)

Total Year 1 total adjusted costs are estimated at \$237,880. General benefits are factored at 2% of total (see Finding 2 on pages 5 -10 of this Report) with special benefits set at 98%. Article XIID Section 4(b) of the California Constitution limits the levy of property assessments to costs attributed to special benefits only. The 2% general benefit cost is computed to be \$4,758 with a resultant 98% special benefit

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limit computed at \$233,122. *Based on current data, zoning and land uses, his is the maximum amount of Year 1 (2019-20) revenue that can be derived from property assessments from the subject District.*

All program costs associated with general benefits will be derived from sources other than District assessments. Sample “other” revenue sources are shown in the following Table:

Year 1 - Special and General Benefit Revenue Sources

Revenue Source	Revenue	% of Total
District Assessments	\$233,122	98%
Grants, donations, sponsors, program income, etc.	\$4,758	2%
TOTAL	\$237,880	100.0%

Step 7. Calculate “Basic Unit Cost”

With a YR 1 assessment revenue portion of the budget set at \$233,122 (special benefit only), the Basic Unit Costs (rates) are shown above in Step 4. Since the District is being proposed in perpetuity, maximum assessments for future years must be set at the inception of the proposed District. An annual inflationary assessment rate increase of up to 5%, commensurate to special benefits received by each assessed parcel, may be imposed for future year assessments, on approval by the District Property Owner’s Association. The maximum assessment rates for the first 10-year proposed District term are shown in the Table below. The assessment rates listed constitute the maximum assessment rates that may be imposed for each year of the first 10 years of the proposed District term.

**RRSQCBD – First 10 Years Maximum Assessment Rates
(Includes a 5%/Yr. Max Increase)**

BENEFIT ZONE	CONDO BLDG AREA ASSMT RATE (\$/SF)	OFFICE BLDG AREA ASSMT RATE (\$/SF)	OTHER BLDG AREA ASSMT RATE (\$/SF)	LAND AREA ASSMT RATE (\$/SQ FT)	STREET FRONTAGE ASSMT RATE (\$/LF)
YEAR 1					
1	\$0.24	\$0.15	\$0.24	\$0.00	\$6.00
2	\$0.24	\$0.00	\$0.20	\$0.00	\$0.00
3	\$0.24	\$0.00	\$0.15	\$0.10	\$4.00
YEAR 2					
1	\$0.2520	\$0.1575	\$0.2520	\$0.0000	\$6.3000
2	\$0.2520	\$0.0000	\$0.2100	\$0.0000	\$0.0000
3	\$0.2520	\$0.0000	\$0.1575	\$0.1050	\$4.2000
YEAR 3					
1	\$0.2646	\$0.1654	\$0.2646	\$0.0000	\$6.6150
2	\$0.2646	\$0.0000	\$0.2205	\$0.0000	\$0.0000
3	\$0.2646	\$0.0000	\$0.1654	\$0.1103	\$4.4100

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YEAR 4					
1	\$0.2778	\$0.1737	\$0.2778	\$0.0000	\$6.9458
2	\$0.2778	\$0.0000	\$0.2315	\$0.0000	\$0.0000
3	\$0.2778	\$0.0000	\$0.1737	\$0.1158	\$4.6305
YEAR 5					
1	\$0.2917	\$0.1824	\$0.2917	\$0.0000	\$7.2931
2	\$0.2917	\$0.0000	\$0.2431	\$0.0000	\$0.0000
3	\$0.2917	\$0.0000	\$0.1824	\$0.1216	\$4.8620
YEAR 6					
1	\$0.3063	\$0.1915	\$0.3063	\$0.0000	\$7.6578
2	\$0.3063	\$0.0000	\$0.2553	\$0.0000	\$0.0000
3	\$0.3063	\$0.0000	\$0.1915	\$0.1277	\$5.1051
YEAR 7					
1	\$0.3216	\$0.2011	\$0.3216	\$0.0000	\$8.0407
2	\$0.3216	\$0.0000	\$0.2681	\$0.0000	\$0.0000
3	\$0.3216	\$0.0000	\$0.2011	\$0.1341	\$5.3604
YEAR 8					
1	\$0.3377	\$0.2112	\$0.3377	\$0.0000	\$8.4427
2	\$0.3377	\$0.0000	\$0.2815	\$0.0000	\$0.0000
3	\$0.3377	\$0.0000	\$0.2112	\$0.1408	\$5.6284
YEAR 9					
1	\$0.3546	\$0.2218	\$0.3546	\$0.0000	\$8.8648
2	\$0.3546	\$0.0000	\$0.2956	\$0.0000	\$0.0000
3	\$0.3546	\$0.0000	\$0.2218	\$0.1478	\$5.9098
YEAR 10					
1	\$0.3723	\$0.2329	\$0.3723	\$0.0000	\$9.3080
2	\$0.3723	\$0.0000	\$0.3104	\$0.0000	\$0.0000
3	\$0.3723	\$0.0000	\$0.2329	\$0.1552	\$6.2053

Step 8. Spread the Assessments

The resultant assessment spread calculation results for each parcel within the District are shown in the Management District Plan and were determined by applying the District assessment formula to each identified benefiting property.

Miscellaneous District Provisions

Time and Manner of Collecting Assessments:

Assessments for the Property Tax Year July 1, 2019 – 2020 and continuing on in perpetuity until discontinued by a vote of CBD property owners at that time, may be collected at the same time and in the same manner as ad valorem taxes paid to the County of Sonoma (Operation Years 2020 +). The

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District assessments shall appear as a separate line item on the property tax bills issued by the County of Sonoma Assessor. The City of Santa Rosa is authorized to collect any assessments not placed on the County tax rolls (for whatever reason), or to place assessments, unpaid delinquent assessments, or penalties on the County tax rolls as appropriate to implement the Management District Plan.

Bonds:

No bonds are to be issued in conjunction with this proposed District.

Term

Under Article V of the District enabling Ordinance, the District may be established in perpetuity, based upon the will of the property owners. Acting through the District Management Corporation, District property owners will determine the duration of the District. Article V permits an annual disestablishment of the District upon petition and vote of the property owners.

APPENDIX 1

RRSQCBD YEAR 1 ASSESSMENT ROLL

APN	YR 1 Assessment
010-071-012-000	\$2,412.00
010-072-007-000	\$526.80
010-072-015-000	\$8,890.80
010-072-016-000	\$306.00
010-072-017-000	\$2,582.40
010-074-001-000	\$3,000.00
010-074-006-000	\$978.00
010-074-009-000	\$555.60
010-074-012-000	\$1,161.60
010-074-013-000	\$1,761.60
010-074-015-000	\$931.20
010-074-017-000	\$402.00
010-074-018-000	\$6,297.84
010-074-019-000	\$1,545.60
010-074-020-000	\$3,022.80
010-075-001-000	\$3,252.00
010-075-002-000	\$1,482.00
010-075-003-000	\$1,008.00
010-075-004-000	\$1,200.00
010-075-005-000	\$1,392.00
010-075-007-000	\$4,632.00
010-075-009-000	\$3,600.00
010-075-010-000	\$2,041.92
010-075-011-000	\$360.00
010-075-012-000	\$5,046.00
010-075-013-000	\$1,392.00
010-075-014-000	\$1,276.80
010-081-001-000	\$4,344.72
010-082-001-000	\$3,873.00
010-082-013-000	\$356.70
010-082-014-000	\$1,325.70
010-082-021-000	\$973.20
010-084-006-000	\$4,459.92
010-085-001-000	\$1,887.12
010-085-002-000	\$1,213.44
010-085-024-000	\$4,560.00
010-086-008-000	\$800.00
010-086-014-000	\$1,788.00
010-087-003-000	\$3,064.56
010-087-004-000	\$5,104.32
010-087-009-000	\$1,835.04
010-087-013-000	\$3,018.72
010-087-014-000	\$1,972.32
010-087-015-000	\$4,968.00
010-088-008-000	\$240.00
010-088-010-000	\$5,558.40

010-089-001-000	\$3,690.00
010-166-003-000	\$10,387.10
010-166-006-000	\$5,496.00
010-171-005-000	\$3,384.00
010-171-007-000	\$1,890.30
010-171-009-000	\$5,131.68
010-171-010-000	\$4,112.64
010-171-012-000	\$3,000.00
010-171-014-000	\$880.00
010-171-018-000	\$6,870.30
010-171-019	\$16,315.20
010-175-012-000	\$3,856.95
010-760-001-000	\$14,347.80
010-760-005-000	\$0.00
010-760-006-000	\$33,497.00
010-800-001-000	\$183.12
010-800-002-000	\$157.68
010-800-003-000	\$190.56
010-800-004-000	\$190.56
010-800-005-000	\$190.56
010-800-006-000	\$181.92
010-800-007-000	\$169.92
010-800-008-000	\$231.84
010-800-009-000	\$176.64
010-800-010-000	\$190.56
010-800-011-000	\$190.56
010-800-012-000	\$197.76
010-800-013-000	\$209.76
010-800-014-000	\$189.36
010-800-015-000	\$181.68
010-800-016-000	\$210.48
010-800-017-000	\$242.88
010-800-018-000	\$242.88
010-800-019-000	\$210.48
010-800-020-000	\$210.48
010-800-021-000	\$181.68
010-800-022-000	\$211.44
010-800-023-000	\$203.28
010-800-024-000	\$203.28
010-800-025-000	\$203.28
010-800-026-000	\$215.76
010-800-027-000	\$215.76
010-800-028-000	\$203.28
010-800-029-000	\$194.64
010-800-030-000	\$1,262.40
010-800-031-000	\$818.88

APPENDIX 2

RRSQCBD BOUNDARY MAP

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Railroad Square District - Benefit Zone Map

